



NEWS RELEASE

GINSMS ANNOUNCES FINANCIAL RESULTS FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017 AND PROVIDES FINANCIAL FORECASTS FOR YEAR 2018

Calgary, Alberta, February 13, 2018 – GINSMS Inc. (TSXV: GOK) (“GINSMS” or the “Corporation”) has announced its financial results for the fourth quarter and twelve months ended December 31, 2017.

The annual audited financial statements of the Corporation for the twelve months ended December 31, 2017 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, 2017.

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, formerly known as Xinhua Holdings Limited, 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, 2017 is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Highlights include:

- Revenue of \$7,386,673 for the twelve-month period ended December 31, 2017 as compared to \$6,479,185 for the twelve-month period ended December 31, 2016.
- Revenue of \$1,959,794 for the three-month period ended December 31, 2017 as compared to \$1,665,011 for the three-month period ended December 31, 2016.
- Gross Profit of \$767,895 for the twelve-month period ended December 31, 2017 as compared to gross profit of \$1,043,789 for the twelve-month period ended December 31, 2016.
- Gross Profit of \$199,443 for the three-month period ended December 31, 2017 as compared to gross profit of \$251,135 for the three-month period ended December 31, 2016.
- Operating expenses and finance costs decreased from \$2,551,304 for the twelve-month period ended December 31, 2016 to \$1,892,691 for the twelve-month period ended December 31, 2017.
- Operating expenses and finance costs decreased from \$680,307 for the three-month period ended December 31, 2016 to \$506,535 for the three-month period ended December 31, 2017.
- Net loss of \$1,124,717 for twelve-month period ended December 31, 2017 as compared to a net loss of \$1,507,635 for twelve-month period ended December 31, 2016.

- Net loss of \$307,059 for three-month period ended December 31, 2017 as compared to a net loss of \$429,983 for three-month period ended December 31, 2016.
- The cloud-based application-to-person messaging service (the “A2P messaging”) that was introduced in March 27, 2014 has generated revenue of \$1,693,797 and \$6,276,759 for the three-month and twelve-month periods ended December 31, 2017, respectively.

Selected Profit and Loss Information

Financial Highlights	Three-month period ended December 31, 2017 (Unaudited)	Three-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)
Revenues \$				
A2P Messaging Service	1,693,797	1,359,032	6,276,759	5,459,386
Software Product & Services	265,997	305,979	1,109,914	1,019,799
	1,959,794	1,665,011	7,386,673	6,479,185
Cost of sales \$				
A2P Messaging Service	1,481,905	1,214,421	5,698,701	4,695,023
Software Product & Services	278,446	199,455	920,077	740,373
	1,760,351	1,413,876	6,618,778	5,435,396
Gross profit \$				
A2P Messaging Service	211,892	144,611	578,058	764,363
Software Product & Services	(12,449)	106,524	189,837	279,426
	199,443	251,135	767,895	1,043,789
Gross margin %				
A2P Messaging Service	12.5%	10.6%	9.2%	14.0%
Software Product & Services	(4.7)%	34.8%	17.1%	27.4%
	10.2%	15.1%	10.4%	16.1%
Adjusted EBITDA ⁽¹⁾ \$	(17,711)	(150,958)	(250,700)	(455,475)
Adjusted EBITDA margin	(0.9)%	(9.1)%	(3.4)%	(7.0)%
Net earnings (loss) \$	(307,059)	(429,983)	(1,124,717)	(1,507,635)
Net earnings (loss) margin	(15.7)%	(25.8)%	(15.2)%	(23.3)%
Net earnings (loss) per share \$				
Basic	(0.002)	(0.003)	(0.008)	(0.011)
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. 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, 2017 (Unaudited)	Three-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)
Amortization				
- Development expenditures	84,883	29,180	167,291	116,271
Depreciation				
- Property, plant and equipment	8,679	6,569	22,903	36,007
Salaries and wages	172,462	151,949	657,176	486,678
Subcontractor costs	1,481,807	1,217,683	5,702,920	4,699,725
Software and hardware	4,878	4,739	27,079	56,211
Others	7,642	3,756	41,409	40,504
	1,760,351	1,413,876	6,618,778	5,435,396

Operating Expenses and Finance Costs

	Three-month period ended December 31, 2017 (Unaudited)	Three-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)
Salaries and wages	180,886	189,229	715,827	923,961
Director fees	40,000	40,000	40,000	40,000
Professional fees	75,323	66,573	339,362	329,742
Foreign exchange (gain)/loss	(39,450)	79,400	(130,096)	95,904
Other general & administrative expenses	53,955	62,640	236,205	261,935
Allowance/(Reversal of allowance) for doubtful accounts	-	(8,249)	7,489	(8,249)
Depreciation				
- Property, plant and equipment	292	1,292	1,438	11,234
Interest expenses	142,862	249,422	629,799	896,777
Impairment loss on property, plant and equipment	52,444	-	52,444	-
Loss on disposal of property, plant and equipment	223	-	223	-
	506,535	680,307	1,892,691	2,551,304

Selected Balance Sheet Information

	December 31, 2017 (Unaudited) \$	December 31, 2016 (Audited) \$
Current Assets		
Accounts receivable	1,238,898	1,822,661
Other receivables, prepayments and deposits	158,429	164,182
Bank and cash balances	340,765	139,808
	1,738,092	2,126,651
Non-Current Assets		
Property, plant and equipment	36,769	35,660
Development expenditures	297,436	464,779
	2,072,297	2,627,090
TOTAL ASSETS	2,072,297	2,627,090
Current Liabilities		
Accounts payable and accrued liabilities	1,539,484	2,096,917
Advances from related parties	475,620	756,079
Promissory note payable	484,000	436,000
Loan from a related party	284,217	261,273
Current tax liabilities	601	5,317
	2,783,922	3,555,586
Non-Current Liabilities		
Loans from related parties	4,170,273	3,740,061
Deferred tax liability	1,153	1,208
	6,955,348	7,296,855
TOTAL LIABILITIES	6,955,348	7,296,855
Equity		
Share capital	11,415,709	10,484,429
Deficit	(16,517,730)	(15,395,462)
Accumulated other comprehensive income	227,905	248,035
Total deficiency attributable to equity shareholders	(4,874,116)	(4,662,998)
Non-controlling interest	(8,935)	(6,767)
TOTAL DEFICIENCY	(4,883,051)	(4,669,765)
TOTAL LIABILITIES & EQUITY	2,072,297	2,627,090

Total assets of GINSMS including cash, accounts receivable, other receivables, prepayment and deposits, property, plant and equipment and development expenditures as at December 31, 2017 amounted to \$2,072,297 compared to \$2,627,090 as at December 31, 2016. Bank and cash balances amounted to \$340,765 as at December 31, 2017 increased by 143.7% compared to \$139,808 as at December 31, 2016. The increase was mainly due to proceed from private placement by the immediate parent during the twelve months ended December 31, 2017. The cash flow from financing activities improved from \$416,760 for the twelve months ended December 31, 2016 to \$663,765 for

the twelve months ended December 31, 2017. The cash flow used in operating activities reduced from \$513,936 for the twelve months ended December 31, 2016 to \$328,535 for the twelve months ended December 31, 2017.

Selected Liquidity and Capital Resources Information

Financial Highlights	Three-month period ended December 31, 2017 (Unaudited)	Three-month period ended December 31, 2016 (Unaudited)	Twelve-month period ended December 31, 2017 (Unaudited)	Twelve-month period ended December 31, 2016 (Audited)
Cash, beginning of period/year	121,245	106,047	139,808	310,805
Operating activities				
Net loss for the period/year	(307,059)	(429,983)	(1,124,717)	(1,507,635)
Current tax expense	9	845	-	2,317
Deferred tax expense/(credit)	(79)	35	(79)	(2,197)
Interest expenses	142,862	249,422	629,799	896,777
Foreign currency exchange (gain)/loss	(39,450)	79,400	(130,096)	95,904
Allowance/(Reversal of allowance) for doubtful accounts	-	(8,249)	7,489	(8,249)
Loss on disposal of property, plant and equipment	223	-	223	-
Impairment loss on property, plant and equipment	52,444	-	52,444	-
Amortization & depreciation	93,854	37,041	191,632	163,512
Changes in working capital items	325,843	72,853	44,772	(66,264)
Income tax paid	-	(599)	-	(88,101)
Net cash generated from/(used in) operating activities	268,647	765	(328,533)	(513,936)
Financing activities				
Advances from related parties	38,120	67,007	241,024	320,835
Repayment of advance from a related party	(2,335)	(56,369)	(494,542)	(123,104)
Loans from related parties	-	-	-	219,029
Repayment of loan from a related party	-	-	(13,997)	-
Proceed from private placement	-	-	931,280	-
Net cash generated from financing activities	35,785	10,638	663,765	416,760
Investing activities				
Development expenditures	-	-	(112)	(2,865)
Purchase of property, plant and equipment	(58,951)	(684)	(77,783)	(29,667)
Net cash used in investing activities	(58,951)	(684)	(77,895)	(32,532)
Effect of exchange rate changes on cash held in foreign currencies	(25,961)	23,042	(56,380)	(41,289)
Increase/(Decrease) in cash	219,520	33,761	200,957	(170,997)
Cash, end of period/year	340,765	139,808	340,765	139,808

SEGMENTED INFORMATION

a) Revenue by customers

	Twelve-month period ended December 31, 2017 (Unaudited)		Twelve-month period ended December 31, 2016 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Customer A	3,768,390	51.0	387,597	6.0
Next five top customers				
Customer B	1,631,089	22.1	1,395,637	21.5
Customer C	730,873	9.9	408,837	6.3
Customer D	297,052	4.0	1,234,139	19.0
Customer E	284,623	3.9	398,248	6.1
Customer F	157,614	2.1	73,932	1.1
All other customers	517,032	7.0	2,580,795	40.0
Total	7,386,673	100.0	6,479,185	100.0

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

	Twelve-month period ended December 31, 2017 (Unaudited)		Twelve-month period ended December 31, 2016 (Audited)	
	\$	% of total revenue	\$	% of total revenue
Singapore	4,823,833	65.3	3,228,246	49.8
United Arab Emirates	297,307	4.0	1,234,139	19.0
Other Asia countries	363,684	4.9	332,934	5.1
Europe	252,680	3.4	259,479	4.0
United States	1,631,399	22.1	1,397,145	21.6
Other regions	17,770	0.3	27,242	0.5
Total	7,386,673	100.0	6,479,185	100.0

c) Total assets by geographical location

	As at December 31, 2017 (Unaudited)		As at December 31, 2016 (Audited)	
	\$	% of total assets	\$	% of total assets
Singapore	1,136,630	54.9	2,054,528	78.2
United Arab Emirates	9,088	0.4	10,494	0.4
Other Asia countries	825,580	39.8	408,701	15.6
Europe	38,582	1.9	12,255	0.5
United States	35,802	1.7	109,930	4.2
Other regions	26,615	1.3	31,182	1.1
Total	2,072,297	100.0	2,627,090	100.0

d) Financial information by business segments

	Messaging	Software products and services	Unallocated	Total
	\$	\$	\$	\$
Twelve-month period ended December 31, 2017 (Unaudited)				
Revenue	6,276,759	1,109,914	-	7,386,673
Intersegment revenue	-	303,700	-	303,700
Amortization and depreciation	-	(191,632)	-	(191,632)
Interest income	3	67	-	70
Interest and finance expenses	(301,816)	(240,134)	(87,849)	(629,799)
Income tax credit	-	79	-	79
Segment profits/(losses)	307,607	(1,146,508)	(285,816)	(1,124,717)
Additions to segment non-current assets	-	77,895	-	77,895
At December 31, 2017 (Unaudited)				
Segment assets	1,278,905	773,948	19,444	2,072,297
Segment liabilities	(4,144,320)	(1,752,317)	(1,058,711)	(6,955,348)

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

Outlook

The Corporation announces its financial forecasts for the twelve months ending December 31, 2018. The information included in this news release represents management's guidance as approved on February 13, 2018. 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 17.1% for the year ended December 31, 2017 and with the expected increased revenue earned from business with key customers of the Corporation, the forecasted gross margin range of 11.8% to 16.0% in 2018 is reasonable and achievable. The gross margin from the key customers usually earns more than 15%.
- b. The actual traffic growth rate of A2P business for the year ended December 31, 2017 declined by 7.6% compared to the year ended December 31, 2016. The North Asia region experienced stiff competition and the growth from this region was affected. However, the Corporation earned much more business from the South East Asia region in 2017 than forecasted. Revenue for the year ended December 31, 2017 increased by 15.0% but the gross margin declined to 9.2% compared with the revenue and gross margin for the year ended December 31, 2016. Gross margin earned from the South East Asia region is always lower than the North East region. With the increase in business from the South East Asia region, the Corporation succeeded to negotiate lower cost with its suppliers and this will likely improve the gross margin. Management believes that a 3% traffic growth is a conservative forecast growth rate. This growth rate takes into consideration the growth rate of the other regions that did not grow as much as the South East Asia region.
- 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 A2P customers.
- e. Except for the interest expense on loans from related parties, the expenses were forecasted to increase in line with the forecasted 4.16% inflation in 2018. Interest expenses were computed based on interest rate of 12% per annum on the estimated outstanding loans in 2018.
- 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 net earnings and net assets positions 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
	2018	2018	2018	2018
Revenues \$				
A2P Messaging Service	1,693,912	1,867,404	2,081,312	2,254,804
Software Product & Services	297,700	297,700	297,700	297,700
	1,991,612	2,165,104	2,379,012	2,552,504

Financial Highlights	Forecast	Forecast	Forecast	Forecast
(\$)	Jan – Mar 2018	Apr – Jun 2018	Jul – Sep 2018	Oct – Dec 2018
Cost of sales \$				
A2P Messaging Service	1,460,457	1,601,731	1,766,100	1,907,374
Software Product & Services	261,645	262,427	258,268	249,951
	1,722,102	1,864,158	2,024,368	2,157,325
Gross profit \$				
A2P Messaging Service	233,455	265,673	315,212	347,430
Software Product & Services	36,055	35,273	39,432	47,749
	269,510	300,946	354,644	395,179
Gross margin %				
A2P Messaging Service	13.8%	14.2%	15.1%	15.4%
Software Product & Services	12.1%	11.8%	13.2%	16.0%
	13.5%	13.9%	14.9%	15.5%
Selling, general and administrative expenses	(303,647)	(303,647)	(303,647)	(303,647)
Operating loss	(34,137)	(2,701)	50,997	91,532
Non-operating income	-	-	-	-
Non-operating expenses	(146,976)	(151,065)	(153,269)	(156,530)
Ordinary loss	(181,113)	(153,766)	(102,272)	(64,998)
Extraordinary gains	-	-	-	-
Extraordinary losses	-	-	-	-
Loss before tax and non-controlling interest	(181,113)	(153,766)	(102,272)	(64,998)
Income taxes	-	-	-	-
Non-controlling interest	-	-	-	-
Net loss for the period	(181,113)	(153,766)	(102,272)	(64,998)
Adjusted EBITDA	6,904	39,123	88,662	120,879

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

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 distributes 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 availability of 3G/4G services in China and the rest of the world will continue to create demand for the Corporation’s software products and services.
- Management’s belief that the future growth in messaging is in the area of 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 2018 financial results, as well as our objectives, strategic priorities and business outlook for fiscal 2018, 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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