



## **GINSMS INC.**

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

For the three months and nine months ended December 31, 2009

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## **Preface**

GINSMS Inc. ("GINSMS" or the "Corporation"), which was incorporated on March 20, 2009, is the parent company of GIN International Ltd. ("**GIN**"), through its wholly-owned subsidiary, Global Edge Technology Ltd. ("**GET**"). GIN is a technology services company focused on providing inter-operator short messaging services ("**IOSMS**") to mobile telecom operators in Hong Kong. GIN was founded in 2002 and received a public non-exclusive telecommunications service license ("**PNETS**") from the Office of the Telecommunications Authority ("**OFTA**"), the governing body for the telecommunications sector in Hong Kong, so that it can provide IOSMS in Hong Kong.

IOSMS is a short message services ("**SMS**") gateway providing connections between all mobile and fixed line operators. The gateway identifies the recipient's operator ID and delivers the message to the corresponding operator's SMS gateway. IOSMS' function is to identify and deliver an SMS correctly. GINSMS has agreements with various telecommunications operators in Hong Kong. These operators are charged a fee based on traffic relayed through GIN's IOSMS gateway.

## **Caution Regarding Forward-Looking Information**

*Certain information included in this management's discussion and analysis 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, general business, economic, competitive, political and social uncertainties, the actual results of operations, competition and changes in the industry in which the Corporation operates and other risks factors discussed in the section entitled "Risk Factors" in the Corporation's long form prospectus dated November 12, 2009 which is available under the Corporation's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). 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:*



- ❖ *the Corporation's belief that other operators in the industry are expected to launch their trial services in 2009;*
- ❖ *the Corporation's belief that the availability of 3G services in China will boost the demand for data related services;*
- ❖ *the Corporation's belief that its IOSMS technology offers the best alternative for efficient and low-cost delivery of SMS as it allows businesses and organizations to reach mobile telephone users via its current SMS platform without having to build a new web-based gateway;*
- ❖ *management's belief, moving forward, that the Corporation's gross profits and margin will increase given that one of the Corporation's subsidiaries has recently signed a more economical outsourced operation and maintenance contract with a new technical support provider following the acquisition by the Corporation's subsidiary of an IOSMS system in August 2008;*
- ❖ *management's belief that it is able to maintain a stable pricing for customers; and*
- ❖ *management's belief that GET is able to generate sufficient amounts of cash to fulfill the working capital requirements of its present operations.*

*These forward-looking statements are made as of the date of this management's discussion and analysis 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.*

## **1.1 DATE**

This management's discussion and analysis ("MD&A") of GINSMS has been prepared by management and should be read in conjunction with the interim consolidated financial statements and related notes thereto of the Corporation for the three and nine month periods ended December 31, 2009 and 2008, which were prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The Corporation's Audit Committee has reviewed and approved this MD&A.

This MD&A was prepared as of February 23, 2010. Additional information regarding the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **1.2 OVERALL PERFORMANCE**

### **Highlights**

- ❖ Successful completion of an initial public offering in December 2009, raising \$1.7 million in new share capital.
- ❖ Net earnings are up 40.7% to \$96,284 for the quarter ended December 31, 2009, compared to the corresponding quarter the previous year. In comparison with the previous quarter ended September 30, 2009, net earnings are up slightly by 1.6%. For the nine-month period ended December 31, 2009, net earnings are up by 9.4% to \$225,243, compared to the corresponding period the previous year.



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- ❖ Increase of 12.4% in SMS traffic during the quarter ended December 31, 2009 compared to the previous quarter this year. Relative to the corresponding quarter of the previous year however, traffic is down 8.4%.
- ❖ Revenues up 3.4% in the quarter ended December 31, 2009 relative to the previous quarter this year. In comparison with the previous year however, revenues were down 3.9%.
- ❖ Higher gross dollar profit: gross profit is up by 16.3% and 4.5% for the three-month and nine-month period ended December 31, 2009, compared to corresponding periods of the previous year.
- ❖ Higher gross profit margins: higher gross margin of 68.4% and 62.6% in the 3 month and 9 month periods respectively, compared to gross margin of 56.5% and 57.8% respectively during the previous corresponding periods.
- ❖ Higher EBITDA (see definition below): For the nine-month period ended December 31, 2009, the EBITDA increased by 32.6% to \$285,442 compared to the same period in the previous year. For the three-month period, the EBITDA increased by 66.4% in comparison with the same period in the previous year to \$118,745.

Financial Highlights	Three-month period ended December 31, 2009 (Unaudited)		Nine-month period ended December 31, 2009 (Unaudited)	
	GINSMS 2009	GET (restated) <sup>1</sup> 2008	GINSMS 2009	GET (restated) <sup>1</sup> 2008
<b>Revenues</b>	<b>215,587</b>	224,347	<b>628,383</b>	650,964
Gross margin \$	<b>147,424</b>	126,747	<b>393,338</b>	376,292
Gross margin	68.4%	56.5%	62.6%	57.8%
<b>EBITDA<sup>2</sup> \$</b>	<b>118,745</b>	<b>71,376</b>	<b>285,442</b>	<b>215,199</b>
EBITDA margin	55.1%	31.8%	45.4	33.1%
<b>Net earnings \$</b>	<b>96,284</b>	68,435	<b>225,243</b>	205,931
Net earnings	44.7%	30.5%	35.8%	31.6%

	Consolidated as at December 31, 2009 (Unaudited)	Restated Consolidated as at March 31, 2009 (Audited)
Total assets \$	<b>1,772,515</b>	1,032,660
Capital Asset \$	<b>274,142</b>	399,620
Shareholders' Equity \$	<b>1,465,573</b>	435,090

1. GET is the predecessor parent company whose shares were acquired by GINSMS in May 2009.

2. EBITDA is a non-GAAP measure related to cash earnings and is defined for these purposes as earnings before income taxes, depreciation and amortization. This metric should not be considered in isolation or as a substitute for net earnings which is also reported herein but is made relevant by the fact that there is a substantial difference in the capital structure of the Corporation from one period to another, distorting the comparability of net earnings.



## **Corporation Overview**

The Corporation is dedicated to becoming a significant player as an IOSMS in key regions of Asia, mainly Hong Kong and China, through its hub centre located in Hong Kong. In late 2008, GIN carried out a series of system upgrades to improve business efficiency and system capability. The new system became fully operational in the first quarter of this year and is capable of handling 10 times as much traffic as compared to the previous one. This new system was paid in cash through internally generated funds.

After raising some \$1.7 million in share capital last December through an initial public offering, the Corporation is determined to capture a growing share of the Hong Kong market and penetrate the China market for inbound traffic into the country. The Corporation also intends to develop value-added services. To achieve its goals, the Corporation is planning to hire new marketing personnel and invest in software technologies either directly or through partners. Management had targeted March 31, 2010 as a turning point but believes it will take at least a year before its strategy takes shape. The Corporation's immediate objective is to gain market share for SMS traffic in Hong Kong. With its new operating system in place since March of last year, its competitive edge has improved considerably. The upgraded core system is able to handle substantially more SMS traffic having the capability to process different transmission standards used by mobile operators such as GSM<sup>1</sup> (the current most popular cellular phone standard), CDMA<sup>2</sup>, PHS<sup>3</sup> and fixed SMS transmission protocols.

1. GSM: Wireless mobile technology protocol which stands for Global System for Mobile communications

2. CDMA: Wireless mobile technology protocol that stands for Code Division Multiple Access

3. PHS: Wireless mobile technology protocol which stands for Personal Handy-phone System

## **Business Environment**

There are only two IOSMS hubs in Hong Kong, namely GINSMS and CITIC 1616. CITIC 1616 is a subsidiary of CITIC Pacific Limited, a large and strongly capitalized public company with a large portfolio of diversified businesses operating around the world. GINSMS' market share over the past several years has generally declined due to CITIC's strong human and financial resources. However, GINSMS has been able to operate profitably since its formation in 2002 as the volume of SMS routed through its hub has grown substantially. GINSMS' customers include all the mobile operators ("MNOs") and a major fixed line operator in Hong Kong.

GINSMS has always maintained a close relationship with its customers who find substantial benefits in routing SMS through the two hubs in spite of the dominating position of our competitor. In the past, however, management of GINSMS' predecessor Company had not been aggressive in the marketing of its IOSMS platform due to limited financial resource. Given a strong expansion of global SMS transmission (please refer to the section entitled "General Development of the Business" in the Corporation's long form prospectus filed on SEDAR on November 12, 2009 at [www.sedar.com](http://www.sedar.com) for additional information) and taking into account the opportunities brought about by the coming on stream of 3G technology and the



potential of this for valued added services (VAS), management has decided to upgrade its system and to grow the Corporation by using the proceeds of its initial public offering on marketing and enhancing the quality of services (please refer to the section entitled "General Development of the Business" in the Corporation's long form prospectus filed on SEDAR on November 12, 2009 at [www.sedar.com](http://www.sedar.com) for additional information).

**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. The following factors should therefore be taken into account when evaluating the Corporation's future prospects:

- 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 resilience, network diversity and back up system
- Loss of significant information
- Insurance coverage
- Capacity limits
- Rapid technological change
- Market acceptance at desired pricing levels
- Decline in volume of transactions
- Capacity to attract and retain personnel including key members of the management team
- Success of expansion into Chinese markets
- Credit risk of accounts receivable
- Consolidation of GIN's customers
- Dependence on required licenses
- Hong Kong's economy and politics
- Conflicts of interest
- Residency of Directors, officers and others
- Risks of legal proceedings in foreign jurisdictions
- Control by management
- Market for securities
- Possible future dilution

Risks and uncertainties highlighted above have not changed since the filing of the long-form prospectus dated November 12, 2009 on SEDAR at [www.sedar.com](http://www.sedar.com) and, therefore, the Corporation would encourage the reader to refer to the section of the prospectus entitled "Risk Factors" for an additional discussion of risk factors affecting the business of the Corporation.



## **Overall Performance**

Third quarter results ending December 31, 2009 were affected by an increase in the exchange rate since March 31, 2009 which passed from 6.2061 to 7.3921. Taking this into account, sales for the quarter ended December 31, 2009 dropped by 12.6% from the corresponding quarter the previous year to \$215,587. The drop in sales relative to the corresponding quarter the previous year also accounts for the decline in SMS traffic which was down 8.4%. Lower traffic is due to slower growth in SMS transmission from a reduced base triggered by the change over to the new operating system in March 2009. In fact, for the nine months ended December 31, 2009, the level of traffic was, on average, about 92% the level recorded in the nine month period of the previous year.

For the nine month period ended December 31, 2009, sales were down by 3.5% to \$628,383 compared to the nine month period ended December 31, 2008. SMS traffic declined 7.1% for the same reason explained above. Note however that quarterly traffic throughout the period increased gradually from 26.6 million messages in the first quarter to 31.6 million messages in the second quarter and to 35.5 million messages in the third quarter.

For the three months ended December 31, 2009, EBITDA increased by 9.9% compared to the same quarter the previous year to \$118,785 while net earnings before foreign currency losses were up by 40.7% to \$96,244. Much higher depreciation was more than compensated by higher gross profit and lower operating expenses leading to higher net earnings and EBITDA. After foreign currency translation, net earnings were down 82.8% to \$36,940. This is due to the increase in the exchange rate which caused a loss of \$59,344 during the period ended December 3, 2009, compared to a gain of \$142,555 during the same quarter the previous year.

For the nine month period ended December 31, 2009, EBITDA increased by 1.6% compared to the same period the previous year to \$285,442 while net earnings grew by 9.4% to \$225,243. As for the three-month period quoted above, the increase in both EBITDA and net earnings for the nine-month period ended December 31, 2009 was due to higher gross profit and lower operating expenses. Net earnings after foreign currency losses for the nine-month period ended December 31, 2009 were down by 70.2% to \$103,875, compared to \$348,789 for the corresponding period the previous year due to the increase in the exchange rate.

## **1.3 SELECTED ANNUAL INFORMATION**

The following tables set out selected annual financial information and are based on the unaudited consolidated financial statements of the Corporation for the three month period ended December 31, 2009, the audited balance sheet of the Corporation as at March 31, 2009, and the audited consolidated financial statements of GET for fiscal 2009, 2008 and 2007. These financial statements have been prepared in accordance with Canadian GAAP. All figures are in Canadian dollars.

For the three-month period ended December 31, 2009, the unaudited financial statements of GINSMS include the acquisition of GET and the results of its



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consolidated operations during the quarter. The financial information of GINSMS as at March 31, 2009 reflects the statements before the acquisition of GET and shows the financial position of the Corporation taking into account the initial costs incurred for the filing of the Corporation's long-form prospectus dated November 12, 2009.

**Summary of Financial Information of GINSMS**

	<b>Consolidated as at December 31, 2009 (Unaudited)</b>	<b>Restated Consolidated as at March 31, 2009 (Audited - restated)</b>
Total assets	<b>1,772,515</b>	1,032,660
Total Liabilities	<b>306,942</b>	597,570
Shareholders' Equity	<b>1,465,573</b>	435,090

**Summary of Financial Information for GET<sup>1</sup>**

	<b>For the Year Ended March 31, 2009 (audited)</b>	<b>For the Year Ended March 31, 2008 (audited )<sup>2</sup></b>	<b>For the Year Ended 31-Mar-07 (audited)</b>
Sales	\$928,221	\$797,524	\$1,081,494
Earnings from Operations	\$306,795	\$282,403	\$424,941
Net earnings (loss)	(\$236,145)	\$255,875	\$8,226
Total Assets	\$845,089	\$768,188	\$463,940
Total Liabilities	\$410,014	\$197,155	\$107,495
Shareholders' Equity	\$435,075	\$571,033	\$356,445

1. This summary of financial information of GET is presented to reflect the performance of the predecessor company prior to its acquisition by GINSMS.
2. To achieve comparability, the Audited figures in this table as at March 31, 2008 have not been restated.

Prior periods have been reclassified to reflect the last fiscal year's classification together with all the changes in accounting policies that were in effect in that period.

**1.4 RESULTS OF Q3 2010 OPERATIONS**

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



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Quarterly data of GET to March 31, 2009   Successor parent Canadian company starting in Q1 2010	Global Edge Technology					GINSMS		
	F2008	Fiscal 2009				Fiscal 2010		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	30-Mar-08	30-Jun-08	30-Sep-08	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09
Sales	190,114	204,636	221,981	224,347	254,916 <sub>7</sub>	204,256	208,541	215,587
Operating Expenses*	137,987	138,408	146,397	153,873	164,111	170,075	123,598	134,764
Net earnings before under-noted items	52,227	66,228	75,584	70,474	90,805	34,179	84,943	96,509
Forgiveness of debt	(3,070)	0	0	0	494,439	0	0	0
Income Taxes	5,482	2,016	2,300	2,039	41,927	0	(9,837)	225
Net earnings	49,816	64,212	73,284	68,435	(445,561)	34,179	94,780	92,284

\* Operating expenses = Cost of sales plus selling, general and administrative expenses and amortization and depreciation.

GINSMS charges its customers based on the number of SMS sent, subject to monthly minimum bundle fees. On March 1, 2008, GIN reduced its charge per SMS but increased bundle fees (i.e. monthly minimum charge) to guard against idle or minimal usage system capacity. Since then, there were no changes in charges per SMS and bundle fees. Although GINSMS business is not subject to any significant seasonal or cyclical variations, traffic tends to increase during holiday periods.

Sales for the quarter ended December 31, 2009 were \$215,587, down 3.5% from the corresponding quarter the previous year. Revenue-bearing inter-SMS traffic was down slightly by 8.4% to 35.5 million compared to the same quarter, but in relation to the previous quarter, this year was up by 12.4%. The decline over the quarter of the previous year is an extension of the pause in traffic which manifested while the competition continued to benefit from GINSMS change-over to the new IOSMS in the first quarter this year. The uptrend since the first quarter indicates that we are making progress.

Despite this progress, however, the inordinately low level of traffic during the first quarter this year caused total traffic during the nine-month period ended December 31, 2009 to decline by 7.1% to 93.6 million short messages, as compared to the corresponding period of the previous year. Nevertheless, revenues decreased by only 3.5% compared to the nine-month period the previous year or about \$22,581 principally due to the weakening Hong Kong dollar relative to the Canadian dollar. Going into the next fiscal year and beyond, this situation is expected to change as the Corporation's growth strategy begins to take shape. New traffic is expected to be generated through promotions of GINSMS' platform which is expected to be



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enhanced through value-added services and the generation of traffic through inbound traffic to China.

An immediate goal is to boost revenues by having all customers generate traffic beyond the minimum level needed to trigger service charges. This is an important step for the Corporation because as new thresholds are reached, bundled fees tend to go up over time generating even more revenues. As customers volume go up, both the Corporation and the customers have an interest in seeking the best balance between bundle fees which are tied to a minimum level of SMS traffic and the service charges which are applied to traffic generated beyond the minimum level.

Cost of sales consists mainly of the following components:

- 1) Database subscription fees to allow GINSMS to update subscriber's information on behalf of the mobile network operators
- 2) Lease line rental fees to connect with mobile network operators
- 3) Fees for data centre facilities to host and manage the IOSMS system
- 4) Fees for a technical service provider to support the operations and maintenance of the IOSMS system

For the third quarter of this fiscal year, cost of sales amounted to \$68,163, compared to \$97,600 during the same quarter of the previous year, representing a decline of 30.2%. The decline principally reflects lower operation and maintenance costs of the new IOSMS operating system and represents excellent authentication as to the economic value of this capital investment. As a result, gross margin increased from 56.5% for the quarter ended December 31, 2008 to 68.4% for the quarter ended December 31, 2009. Compared to the previous quarter ended September 30, 2009, cost of sales has increased moderately by 10.4%. Gross margin for the nine months ended December 31, 2009 was 62.6%, up slightly as compared to the corresponding period in fiscal 2009 when gross margin was 57.8%.

The steady increase in gross margin over the past several quarters provides a solid case for management optimism as to the Corporation potential for improvement in its profitability while efforts are being made to increase the volume of traffic going through its platform for SMS transmission.

Depreciation of capital assets jumped from \$902 in the third quarter of fiscal year ended December 31, 2008 to \$22,236 in the third quarter ended December 31, 2009 due. The increase manifested following the investment by the Corporation in its new operating system and related equipment.

Selling, general and administrative expenses decreased by 19.9% from \$55,371 or 24.7% of sales for the three months ended December 31, 2008 to \$44,365 or 20.6% of sales for the three months ended December 31, 2009. The lower operating expenses principally reflect lower marketing-related consultancy fees and slightly lower wages and salaries. The drop in operating expenses relative to the three-month period ending December 31, 2008 is also due to continued attrition of operating expenses in general which is due to the superior performance and problem-free handling of the IOSMS platform installed in March 2009. In comparison



with the previous quarter ended September 30, 2009, selling, general and administrative expenses were up by 14.3% due essentially to higher wages and salaries which, based on Corporation policy, experience a two-fold increase during December of each year. This policy is not an uncommon phenomenon in the industry in Hong Kong.

For the nine month period ended December 31, 2009, selling, general and administrative expenses amounted to \$123,583, compared to \$161,102 as at December 31, 2008, representing a drop of 23.3% year over year. As explained above, this drop is also attributable to lower marketing-related consultancy fees and increased efficiency in the operation of the IOSMS platform installed in March 2009.

EBITDA amounted to \$118,745 or 55.1% of sales during the third quarter ended December 31, 2009, as compared to \$71,376 or 31.8% of sales for the corresponding quarter in the prior year. Higher gross margin and gross profit and higher depreciation charges were more than compensated by higher operating expenses, resulting in considerably lower net earnings and therefore lower EBITDA.

As mentioned above, net earnings for the third quarter ended December 31, 2009 decreased by 40.7% to \$96,284 or 44.7% of sales, as compared to net earnings of \$68,435 for the corresponding quarter the previous year or 30.5% of sales. In comparison with the second quarter of the current fiscal year, net earnings are up 1.6%. Despite lower cost of sales and higher gross margin, net earnings deteriorated as a result of comparatively higher operating expenses as explained above.

Net earnings for the nine months ended December 31, 2009 were up by 99.4% to \$225,243 relative to the previous nine month period ended December 31, 2008. Given the 7.1% drop in SMS traffic during the nine month period ended December 31, 2009, the increase in net earnings reflects a resilient ability on the part of the Corporation to maintain strong margins and the ability to adapt to changing market conditions. Revenues for the nine month period ended December 31, 2009 dropped only by 3.4% to \$628,383, compared to the nine month period ended December 31, 2008 when they amounted \$650,964.

### **Segmented Information**

The Corporation is organized by and operates in one segment: the provision of inter-IOSMS to mobile telecom operators in Hong Kong, and all of the Corporation's revenues, earnings and assets are attributable to that segment. These services are provided using GIN's hub technology platform which offers efficient and low-cost delivery of SMS.

The Corporation, however, plans to expand its activity to include VAS which could provide the basis for disclosure of segmented information in the future. The Corporation also plans to penetrate the market for inbound traffic to China from Hong Kong and other countries, which would also allow for the breakdown of information by geographic area. At the moment, however, GIN offers only IOSMS and only in Hong Kong.



### 1.5/1.6 LIQUIDITY AND CAPITAL RESOURCES

GINSMS is in a good financial position and has no debt. As at December 31, 2009, the Corporation had cash on hand of \$662,953 compared to \$56,419 as at March 31, 2009. The increase in cash balance reflects the money raised from an initial public offering of \$1.7 million in December 2009.

As depicted in the following table, cash flow from operations during the third quarter ended December 31, 2009 aggregated \$71,526, compared to a deficit of \$48,002 in the corresponding quarter in the previous year.

	Unaudited			
	Three months ended		Nine months ended	
	Dec. 31 2009	Dec. 31 2008	Dec. 31 2009	Dec. 31 2008
	\$	\$	\$	\$
<b>Beginning Cash</b>	<b>84,223</b>	105,390	<b>56,419</b>	112,324
Net Earnings	<b>96,284</b>	<b>68,435</b>	<b>225,243</b>	205,931
Depreciation	<b>22,236</b>	902	<b>69,810</b>	2,904
Future income tax expense	<b>(76)</b>	-	<b>3,242</b>	-
Changes in non-cash Working Capital	<b>(4,732)</b>	<b>(117,339)</b>	<b>(338,517)</b>	<b>(223,330)</b>
<b>Cash Flow from Operations</b>	<b>113,712</b>	<b>(48,002)</b>	<b>(100,222)</b>	<b>(14,495)</b>
Investing Activities	-	(26,284)	<b>(1,511)</b>	(69,279)
Financing Activities	<b>509,338</b>	-	<b>761,491</b>	-
Effect of exchange rate on cash	<b>(44,320)</b>	8,422	<b>(53,224)</b>	10,976
	578,730	65,864	606,534	(72,798)
<b>Ending Cash</b>	<b>662,953</b>	<b>39,526</b>	<b>662,953</b>	<b>39,526</b>
<b>Total Cash Used (Provided)</b>	<b>578,730</b>	<b>(65,864)</b>	<b>606,534</b>	<b>(72,798)</b>

The most significant item affecting cash during the current fiscal year are the funds raised through an initial public offering in the amount of \$1.7 million which after



issue costs and repayment to shareholders resulted in a net addition to cash flow of \$509,338. Also affecting cash during the third quarter this year is an increase in cash flow from operations before non-cash working capital changes of \$118,444 (the sum of net earning of \$96,284, depreciation of \$22,236 and future income taxes of minus \$76). In the third quarter of this year, depreciation was much larger than that of the corresponding quarter of the previous year because of GINSMS' investment in new capital assets. Capital assets as at December 31, 2008 were virtually fully-depreciated for accounting purposes.

Also affecting cash is a deposit in the amount \$473,478 set aside for the acquisition of physical and software assets which consist of an email and a SMS platform schedule for delivery between now and April 2010. In the event that the hardware and the software are not delivered on time and/or if GINSMS is not satisfied with an user acceptance test on or before April 1, 2010, the vendor shall return the full amount of the deposit.

The international SMS and email platform gives the Corporation the ability to deliver our customers' SMS to networks over the world, support multiple interface connection, deliver reports, and web-based administrative user interface. The platform is in fact a gateway which customers will be able to access via the Corporation's portal to send SMS all over the world.

As of December 31, 2009, approximately 33.6% of accounts receivable were 90 days or more over due. However, when taking into account the fact that by virtue of an agreement which exists with a customer allowing for an offset between accounts receivable and accounts payable in connection with reciprocal SMS transmissions between China and Hong Kong, the offset resulted in a net balance due to GINSMS of \$14,452.

In addition to net earnings of \$96,284, some \$509,338 were added to working capital via the Corporation's initial public offering during the third quarter of fiscal 2010. As a result, working capital as at December 31, 2009 amounted to \$757,997, compared to a deficit of \$108,054 as at the end of the fiscal year ended March 31, 2009. Working capital as at the end of the previous quarter, namely September 30, 2009, was suffering a deficit of \$199,461. With the money from the initial public offering, the Corporation paid all expenses booked to deferred charges. With this, the Corporation's financial position has been strengthened substantially with shareholders' equity amounting to \$1.5 million, compared to \$435,090 as at the end of the fiscal year ended March 31, 2009. Presently, the Corporation does not expect to raise cash through financings to support its current objectives.

The Corporation has recorded future income tax liabilities of \$40,044 as at December 31, 2009, which is just slightly lower than the amount of \$44,032 as at March 31, 2009. The recognition of the tax liabilities is due to tax timing differences in the treatment of newly acquired assets between the method used to carry the amount of these assets for accounting purposes as compared to the method used for tax purposes (please refer to note 5 in the interim consolidated financial statements of the Corporation for the period ended December 31, 2009 for more detail).



GINSMS is not subject to any liquidity risks associated with any financial instruments and any balance sheet items that might affect liquidity. The Corporation does not have any long term debt, capital lease obligations, operating lease obligations, purchase obligations, or other long term obligations except for the lease of its office space, data lines and data centre facilities to host the IOSMS system totaling approximately \$22,000 per month.

### **1.7 CONTROLS AND PROCEDURES**

The Corporation's CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Corporation. As such, the Corporation maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators rules and forms.

### **1.8 OFF-BALANCE SHEET ARRANGEMENTS**

GINSMS does not utilize off-balance sheet arrangements.

### **1.9 TRANSACTIONS WITH RELATED PARTIES**

On January 1, 2009, GET entered into a rental agreement for premises with Plotio Investment, which is a company owned by a family member of a director of the Corporation. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

For the three months ended December 31, 2009 the amount of the rental expense was approximately \$9,025 and for the nine months also ended on December 31, 2009, was \$26,017.

### **1.10 CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year on a regular basis and with the information available. Management reviews its estimates on a regular basis including: financial instruments' useful life of property and equipment and recoverability of its accounts receivable, calculation of the fair value of warrants and recoverability of future income tax assets and liabilities. Actual results could differ from these estimates.

On June 9, 2009, GINSMS acquired all the issued and outstanding shares of Global Edge Technology Limited ("Global") in exchange for the issuance of 31,766,566 common shares in the capital of the Corporation at a fair value of \$4,764,985 with an effective date of April 1, 2009. However, the transaction was considered to be an exchange of ownership interests between related groups and was therefore



accounted for assuming continuity of business under Emerging Issues Committee 89 ("EIC 89") – exchanges of ownership interests between enterprises under common control. Consequently under EIC 89, no fair value adjustments were made and the acquisition was reflected at the net book value of Global for a consideration value of \$435,075, which was credited to the capital of the Corporation.

EIC 89 also requires that the comparative figures be restated to reflect the financial position and results of operations as if the Corporation had been combined since inception and therefore the financial statements of the combined company presented for prior periods were restated accordingly.

The restated March 31, 2009 balance sheet can be summarized as follows:

Selected balance sheet items	
Current assets	\$ 445,484
Property and equipment	390,620
Current liabilities	(365,982)
Long-term liabilities	(44,032)
Total net assets acquired	\$ 435,025

### **1.11 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

In February 2008, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("**IFRS**") will be required effective January 1, 2011 for public companies in Canada (i.e., IFRS will replace GAAP for public companies)

With the Corporation's year end being on March 31 or each years, the ultimate date for the translation of financial statements to IFRS based on the Accounting Standards Board's ("**AcSB**") decision in February 2008 to replace Canadian GAAP by 2011 for publicly accountable profit-oriented enterprises, is April 1, 2011. However, because of the need to provide comparable figures with the previous year, the management of the Corporation has decided to commence generating a set of financial statements internally based on IFRS starting April 1, 2010. The Corporation has started to consider an IFRS transition project and will commence shortly with a formal and detailed project plan, which will consider the various finance, taxation, treasury, legal, human resources, IT and operations aspects of the project.

The Corporation has determined that the key elements of this IFRS changeover on the Corporation will be in the following areas:

- capital including stock options and warrant valuation
- general IFRS disclosure requirements
- foreign currency translation



- capital assets, depreciation on assets
- business combination and related accounting issues such as that of "EIC 89"
- goodwill and intangible assets

### **1.12 FINANCIAL INSTRUMENTS**

Financial instruments of GIN consist of cash and equivalents, account receivables, accounts payables and accrued liabilities. GIN limits exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amounts of cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximate their values due to the short-term nature of these instruments. The functional currency of GET is the Hong Kong Dollar. In accordance with the Canadian GAAP, the consolidated financial statements of GIN which are prepared using the functional currency 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. The increase of the Canadian dollar against the Hong Kong dollar during the third quarter ended December 31, 2009 resulted in a foreign currency translation adjustment positive to earnings in the amount of \$59,344. This compares to a foreign currency adjustment negative to earnings of \$142,555 in the corresponding period the previous year. The amount is not included in determining net income but it is included in foreign exchange adjustment to other comprehensive income, a component of shareholders' equity of the consolidated financial statements.

### **1.13 SHAREHOLDERS' EQUITY AND DISCLOSURE OF OUTSTANDING SHARE DATA**

Shareholders' equity at December 31, 2009 amounted to \$1.5 million compared to shareholders' equity of \$435,090 as at March 31, 2009.

GINSMS is authorized to issue an unlimited number of common shares in its capital. As of the date of this MD&A, GINSMS had 43,337,497 common shares issued and outstanding.

Pro-forma information on the Corporation's capital, including the numbers of common shares issued outstanding is detailed in the Corporation's audited consolidated financial statements and included in its long form prospectus filed on SEDAR on November 12, 2009 which are available at [www.sedar.com](http://www.sedar.com).