

*Shanghai, China*

Peak Innovates China's Booming Fintech Sector

As a seed shareholder in **Peak Positioning Technologies (PKK: CSE)** and a long-time investor, I believe that the Company is currently at the cusp of exponential growth. For those new to the story, Peak is an IT portfolio management company with a vision to operate disruptive technologies in the Chinese booming financial services industry. The Company acts as a bridge between North American investors and China, providing its shareholders with exceptional growth potential by giving them access to China's fastest growing sectors.

Why China?

Peak's management saw a need to provide small and medium-sized enterprises (SMEs) solutions that would help them access credit in China's booming economy. Over the past

several decades there has been an unprecedented expansion in manufacturing and consumer goods businesses in China benefiting from global demand for cheaper products. It's no secret that middle classes worldwide are huge consumers and China holds a dominant position in supplying the goods needed to satisfy this insatiable demand. If you look back to the trends half a century ago, you would notice that things used to be mostly made in Europe, America, Canada and Japan. There were certainly no higher-end goods made in China. However now, this Asian country custom manufactures for some of Europe's finest labels. China is still eager to continue to be an attractive place for foreign companies to come for more affordable options, and their culture of hard work to create opportunity is a testament to their successes.



“Small businesses are not well-serviced by traditional banks, so their growth can be stymied”

Peak’s Lending Platforms



GOLD RIVER

Peak’s first lending platform called **Gold River** was developed by Peak to address a purchase-order financing need for SMEs in the plastics

industry which is not offered by traditional banks. Peak’s management realized soon after creating the fintech lending platform for commodities that the biggest beneficiaries of this lucrative industry were the lenders themselves. In addition, Peak discovered that small businesses would pay very high interest rates to access credit, perhaps double of what we pay in North America.



CUBELER

Last year, Peak negotiated an exclusive licence for a fintech platform called **Cubeler**, a private company based in Quebec, akin to a dating platform like eHarmony, for small to medium-sized businesses seeking financing for expansion, equipment or inventory purchase-orders. This platform, managed by the company’s Asia Synergy Data Solutions (“ASDS”), is set to transform the way small businesses in China borrow money.

The Cubeler fintech platform matches SME borrowers with various lenders by reading data coming from the SMEs’ ac-

counting software with the lenders’ credit criteria, hence the dating platform comparison. The average loan size is about \$20,000. Small businesses in China have a difficult time securing financing from the banking sector. Why? For multiple reasons. Small loans are problematic for traditional banks to deal with due to the time it takes to process these loans, a cost factor, lack of transaction history available to the banks and insufficient credit bureau coverage. In more mature markets, like North America and Europe, credit bureaus cover over 70% of citizens whereas China’s bureaus are barely 30%.* While banks have been slow to embrace the technology boom themselves, they are fully aware of the benefits of financial technologies based on credit analysis, and are looking for ways to not only reduce credit risks but also the costs of lending. It is the alternative lending institutions, small private financial institutions and peer-to-peer lending platforms that currently dominate this space.

*Reference: Article published in China Daily by Wu Yiyao

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In addition to that, the Company decided to create a lending arm called **Asia Synergy Financial Capital**, “ASFC”, now established and operational with its own lending license. Peak owns 51% of this subsidiary with partner Jiu Dong owning the balance. From concept to fruition it has taken about 12 months and \$20M of capital provided by the partners. Late last year, Peak raised an estimated \$12M through a creatively structured transaction and sent \$10.2M to China to finance its share of the capital. China recently passed new regulations aimed at prevent



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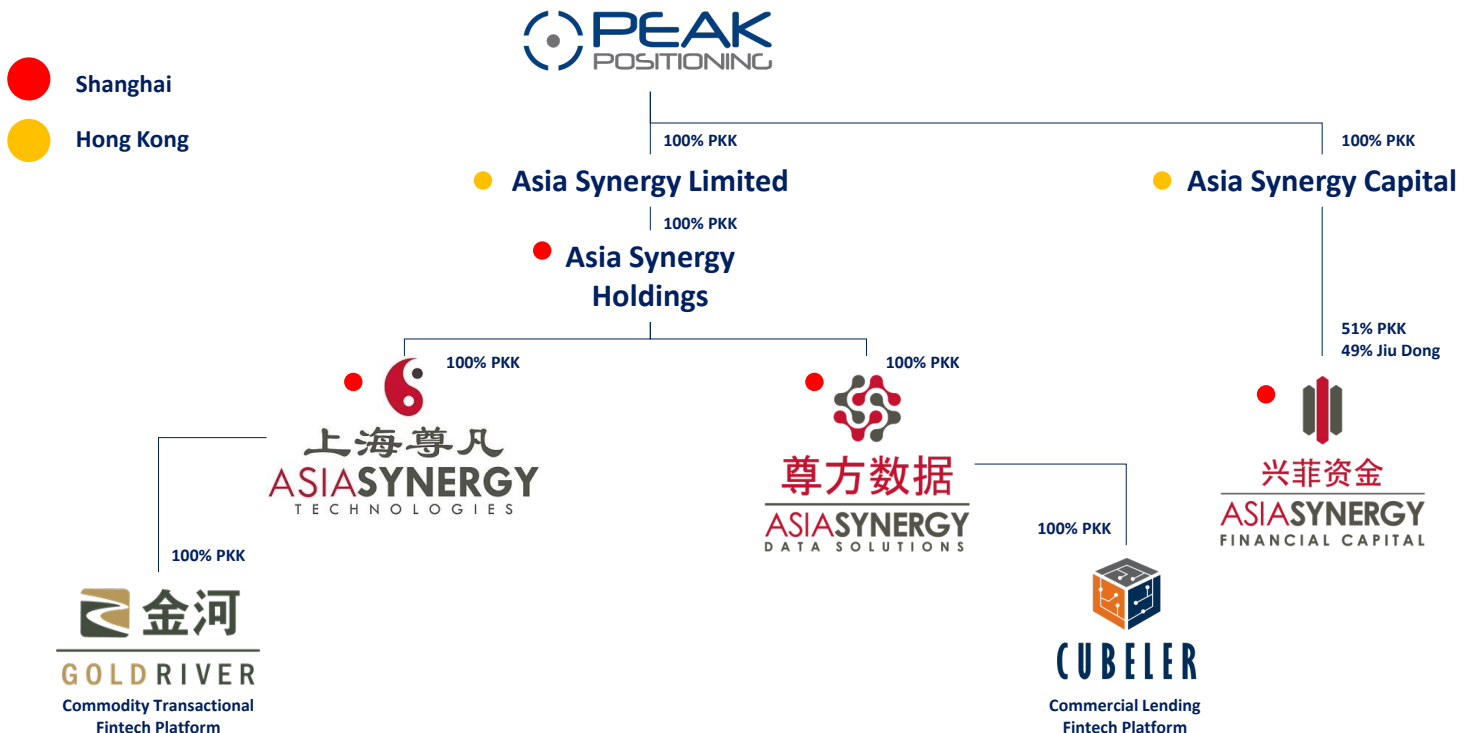
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unlicensed companies from providing financial services to businesses and consumers, and as a result shut down a number of illegal financial services companies in 2017. The fact that ASFC is fully licensed to provide financial services in China, and that such licenses have now become very difficult to obtain due to the new regulations, make ASFC a very important asset to the Company.

The purpose of ASFC is twofold. First is to act as the default lender on the Cubeler platform and in so doing, serve as an example to other lenders that they should also join the platform to have a cost-effective way to quickly qualify SMEs for credit and minimize their loan default rates. Although Cubeler's revenue model is still being defined, the Company is leaning towards having each lender that joins the platform pay ASDS a service fee representing a percentage of the loan extended on the platform for the service provided by the platform. This means that the more lenders that join

Cubeler, the more loans extended by those lenders on Cubeler, the more revenue ASDS stands to earn. The second purpose of ASFC is to finance purchase orders placed by businesses registered on the Gold River platform. ASDS' revenue potential with Cubeler based on loans made by the multitude of lenders expected to join the platform over time, attractive interest rates earned by ASFC on loans and PO financings, and other financial services like the Gold Legal product, which is similar to an insurance policy for which lenders pay a monthly premium to assist them in the event of a loan default, will quickly begin to show their value and the Company's growth potential in Peak's quarterlies. I believe this earning and growth potential is exactly what shareholders have been waiting for, and what the Company is on the cusp of delivering.

PKK Group Ownership Structure



Investment Thesis

The past year has been a roller-coaster of both excitement and disappointment for Peak shareholders. In spite of the exciting new lending platforms, Cubeler and Gold River, current shareholders expected to see faster execution in China. But like any business operating overseas, there are always uncertainties, misunderstandings and cultural oversights which usually result in long delays. For public companies, these delays are usually met with share price erosion. This accounts for Peak's precipitous drop in the past 12 months.

It is now time for Peak to deliver the revenue growth promised last year and produce incremental improvement quarter by quarter. Peak's treasury has an estimated \$1.5M which, in my opinion, is more than enough to finance operations in China, make monthly interest payments on approximately \$5M of debentures currently in circulation and

cover the general and administrative expenses in Canada until such time as the business is self-sustaining.

Here are some catalysts that should improve liquidity and impact the share price:

- Continuously have more lenders join the Cubeler platform
- Have at least one well-known Chinese bank join the Cubeler platform (this should bring instant credibility to the platform and make it even easier to attract other lenders)
- Number of transactions conducted on Cubeler and Gold River continuously climbing in number and value each month
- Substantial conversions of debentures into shares
- Testimonials from Chinese businesses who are delighted to support both programs
- Analyst coverage

Johnson Joseph, President & CEO of Peak

Mr. Joseph has been the President and CEO of Peak Positioning since 2011. During that time he successfully guided the Company through a number of challenging periods by being able to adapt and adjust the Company's business model to changing and difficult market conditions. He led the Company's transition from being a software development company to becoming a management

company of IT assets with a focus on the Chinese Fintech space. His vision of giving Canadian investors a well-managed and trustworthy vehicle to participate in some of China's most promising tech sector opportunities is now the driving force behind Peak's operations. Prior to becoming Peak's CEO, Mr. Joseph spent 8 years in the financial services industry as an advisor with Investors Group, one of Canada's largest mutual fund and asset management companies. Mr. Joseph holds an MBA in Information Technology from HEC-Montreal and a Bachelor's degree in Finance from Texas Tech University.

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Compensation for this article came from our monthly fees. Cathy Hume, CEO of CHF Capital Markets, owns shares in Peak Positioning Technologies.

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