

# Peak Positioning Technologies Inc.

## February 2019 CEO Q&A



**Peak Positioning Technologies Inc. (“Peak” or the “Company”)** investors were invited to submit their questions to the Company’s CEO related to a series of transactions involving the Company’s subsidiaries which occurred in December 2018 and January 2019. The following is a summary of these questions and the answers provided by Peak’s CEO, Mr. Johnson Joseph.

The Company would like to thank all of those who have taken the time to submit their questions. If you submitted a question prior to the prescribed deadline and it’s not answered here, please resubmit the question to the [investors@peakpositioning.com](mailto:investors@peakpositioning.com) mailbox and the Company will do its best to reply to your request within a reasonable delay.

**Note:** Please see the description of all the below mentioned Peak subsidiaries at the bottom of the Q&A.

**Q1: When can we expect the first transactions related to ASCS’ agreement with the Wuxi Union SME Guarantee Company and the Wuxi Rural Commercial Bank to happen?**

**Ans.:** *Our team in China worked very hard in the last couple of weeks leading up to the Chinese New Year holiday to make sure that everything would be in place to allow for the first transactions to take place shortly after the break.*

**Q2: Is ASCS taking over all loan-matching business from ASDS including those from previously registered lenders?**

**Ans.:** *ASCS isn’t taking over any of ASDS’ loan matching business. The loan matching process is a feature of the Cubeler platform which ASDS manages. So anyone that uses Cubeler, for whatever reason, has to pay ASDS a service fee, including ASCS.*

**Q3: Is the service fee of 6% to 8% earned by ASCS applicable only for loans related to the Wuxi Union SME Guarantee Company agreement or for any loan that ASCS services?**

**Ans.:** *The 6% to 8% service fee is applicable on all loans serviced by ASCS, not just the ones related to its agreement with Wuxi Union SME Guarantee Company.*

**Q4: How will ASCS come up with the security deposit?**

**Ans.:** *Depending on the amount to be put up, the funds will come from ASFC and/or Qianzhou Small Loan Company, who are also both part of the agreement signed with Wuxi Union SME Guarantee Company.*

**Q5: Do you expect ASFC and Qianzhou Small Loan Co. Ltd. to be able to combine to have enough capital between them to allow ASCS to meet the 10% deposit required by Wuxi Union SME Guarantee Company?**

**Ans.:** *It all depends on the total value of the loans ASCS could service. Short-term, the answer is yes. However, to get close to the maximum potential amount of the agreement with Wuxi Union SME Guarantee Company, at least one other lender would have to be brought in.*

**Q6: Will ASCS pay any interest on the money used to finance the security deposit?**

**Ans.:** *Yes. ASCS is expected to pay an annual interest rate of 10% on the funds it borrows to meet its deposit obligations. In addition to the interest received from ASCS, whoever lends the funds to ASCS will also receive a service fee representing an annual rate of 1% of the value of the loan to be serviced directly*

from the ultimate borrower. So essentially, whoever finances the security deposit for ASCS will earn the equivalent of an annual rate of 20% of the value of the loan being serviced.

For example, let's assume a loan is \$200,000. ASFC lends \$20,000 to ASCS for the deposit. ASFC would receive \$2,000 from ASCS (10% interest on the deposit) and another \$2,000 from the borrower (1% of the \$200,000 amount borrowed) for a total of \$4,000, which is 20% of the \$20,000 amount loaned by ASFC to ASCS for the deposit.

**Q7: If ASCS is providing a security deposit, what exactly is the risk to the banks loaning the funds? Is this not a risk-free deal for them?**

**Ans.:** *The security deposit is given to Wuxi Union SME Guarantee Company which in return guarantees the loans to the bank. I don't think anything is 100% risk-free, but yes, that's as close to risk-free as it gets for the bank.*

**Q8: What is ASCS' risk exposure in the event of loan defaults and what do you expect that loan default rate to be?**

**Ans.:** *Every loan serviced by ASCS is and will be fully collateralized, often by residential property. So while the bank is protected by Wuxi Union SME Guarantee Company and Wuxi Union SME Guarantee Company by a security deposit, ASCS is protected by the collateral used to secure each loan. ASCS operates with a loan default rate provision of 1%, but Wuxi Wenyi Financial Services Company, whose business operations ASCS took over, had not had a single loan default case since its creation at the time that ASCS had taken over its operations.*

**Q9: Will ASFC's loan book shift from loans to SMEs to loans to ASCS?**

**Ans.:** *Partly, yes.*

**Q10: What is the Company doing to register SMEs on the Cubeler platform?**

**Ans.:** *Other than traditional marketing and awareness campaigns, our subsidiaries are also working with large loan brokers, supply chain partners and government departments.*

**Q11: What is the status of the over 40,000 ICBC business clients on standby to be added to platform as of March 2018?**

**Ans.:** *A large number of them have already been registered on Cubeler and are eligible to receive loans.*

**Q12: Given the recently announced transactions and the arrival of ASCS, does the Company plan to adjust the revenue estimates it put out last October?**

**Ans.:** *Obviously when we put out the financial forecast in October, nothing about ASCS was factored in, since the transactions with both Wenyi and Wuxi Union SME Guarantee Company had not been finalized. So yes, those forecasts will eventually have to be revised. We'll do that once we have a certain amount of transactions related to the Wuxi Union SME Guarantee Company agreement.*

**Q13: Will Peak have to go back to the market for additional funding at some point this year or will these newly announced transactions and the arrival of ASCS make Peak self-reliant?**

**Ans.:** *One of our objectives has always been to quickly get financially self-sufficient. These latest transactions will definitely help us do that, but I don't think it would be realistic to say that we won't have to do another private placement this year. Whenever we raise capital, we always first consider the potential impact on future EPS based on our internal earnings forecasts, and we'll continue to do that.*

**Q14: Is Peak now able to start attracting a wider investment audience and what is the Company currently doing about that?**

**Ans.:** *We are now working on validating the Cubeler business model, where we provide services on an ever-increasing funding pool, coming from banks and other lenders, to earn fees. Most investors find this model very attractive. So yes, we believe we're now in a position to have serious discussions with investors that may have been waiting for us to prove that we can successfully implement that revenue model in China. An outreach program to get to these investors and expand our base is underway.*

**Q15: Is the current business climate in China helping or hindering the progress of the Company? Media reports are contradicting in nature, i.e. large stimulus program from the Chinese (\$40 Billion in liquidity being added for SMEs) but yet the focus is often on the slowing growth there.**

**Ans.:** *With everything that's being done by the Chinese government recently to help small businesses get access to funding, particularly from banks, I don't think the timing could be better for the services being provided by our subsidiaries.*

**Q16: Does the Company have any plans to list on a larger North American exchange or on an Asian exchange?**

**Ans.:** *Eventually, yes. We just have to continue working towards meeting the necessary requirements, but what we've done recently is bringing us closer to that objective.*

**Q17: What should shareholders look forward to in terms of significant milestones over the next 6 to 12 months?**

**Ans.:** *Obviously, transaction announcement coming from ASCS and our other subsidiaries, but also our quarterly filings. We'll also continue to work on a few business development initiatives, including looking to work with Canadian financial institutions to help Canadian entrepreneurs get funding in China for their operations, so I would say to keep an eye for that as well.*

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### **Asia Synergy Credit Solutions (ASCS)**

Peak subsidiary providing turn-key credit outsourcing services to banks and other lending institutions in China where it essentially becomes its clients' commercial lending departments.

### **Asia Synergy Financial Capital (ASFC)**

Licensed financial services subsidiary of Peak providing fully collateralized loans to small and medium sized businesses in China.

### **Asia Synergy Data Solutions (ASDS)**

Peak subsidiary responsible for the management of the Cubeler commercial lending platform in China.