Peak Positioning Technologies Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and six-month periods ended June 30, 2019 and 2018

Financial Statements

Note to reader: The Interim Consolidated Financial Statements have not been reviewed by the auditor

Peak Positioning Technologies Inc.
Interim Consolidated Statements of Comprehensive Loss

For the three and six-month periods ended June 30, 2019 and 2018

(In Canadian dollars, except weighted average number of outstanding shares)

(Unaudited)

	Note	Three-month period ended June 30		Six-month period ended June 30,	
		2019	2018	2019	2018
		$	$	$	$
Revenues					
Sales		1,901,723	224,611	2,851,233	229,758
Expenses					
Salaries and fringe benefits		429,614	240,973	831,640	446,519
Board remuneration		17,589	35,311	34,383	66,706
Service fees		384,399	-	411,834	–
Consulting fees		139,168	123,360	253,869	203,671
Management fees		39,482	45,023	75,388	110,010
Professional fees		35,731	65,024	85,106	138,724
Administrative and indirect cost		88,841	–	147,941	–
Public relations and press releases		35,595	157,280	66,912	254,125
Office supplies, website and utilities		71,589	25,392	98,019	38,371
Lease expenses		11,665	(2,766)	24,942	17,025
Depreciation of right-of-use assets		120,715	–	173,506	–
Interface development cost		–	17,553	–	17,553
Insurance		8,039	3,425	15,278	9,881
Finance costs	14	256,430	189,899	487,968	417,645
Expected credit loss		32,576	–	37,043	–
Travel and entertainment		98,837	41,877	204,061	104,883
Stock exchange and transfer agent costs		19,008	26,999	26,246	39,385
Translation cost and others		8,471	15,638	27,009	17,078
Depreciation of property and equipment	8	10,147	883	19,536	903
Amortization of intangible assets	9	203,774	133,010	390,921	265,844
Amortization of financing initial costs		9,155	3,275	18,209	20,934
Loss (gain) on foreign exchange		20,672	7,292	20,045	21,105
		2,041,497	1,129,448	3,449,856	2,190,362
Profit (Loss) before income taxes		(139,774)	(904,837)	(598,623)	(1,960,604)
Income tax (recoverable)		156,213	67,058	266,143	67,058
Net loss		(295,987)	(971,895)	(864,766)	(2,027,662)
Net (loss) profit attributable to:					
Non-controlling interest		209,628	74,731	323,016	74,731
Owners of the parent		(505,615)	(1,046,626)	(1,187,782)	(2,102,393)
		(295,987)	(971,895)	(864,766)	(2,027,662)
Item that will be reclassified subsequently to profit or loss					
Currency translation adjustement		518,817	(4,161)	444,610	90,795
Total comprehensive loss		(814,804)	(967,734)	(1,309,376)	(2,118,457)
Net loss and total comprehensive loss attributable to:					
Non-controlling interest		(227,365)	69,768	(98,883)	-
Owners of the parent		(587,439)	(1,037,502)	(1,210,493)	(2,118,457)
		(814,804)	(967,734)	(1,309,376)	(2,118,457)
Weighted average number of outstanding shares		676,875,603	660,781,033	676,362,024	654,082,258
Basic and diluted loss per share		-	(0.001)	(0.001)	(0.003)

The accompanying notes are an integral part of these interim consolidated financial statements.

Peak Positioning Technologies Inc.
Interim Consolidated Statements of Changes in Equity
For the three and six-month periods ended June 30, 2019 and 2018
(In Canadian dollars)
(Unaudited)

	Note	Capital stock								
		Number of common shares	Amount	Contributed surplus	Equity component of convertible debentures	Accumulated other comprehensive income	Deficit	Total attributable to owners of parent	Non Controlling inerest	Shareholders' equity (deficiency)
			$	$	$		$			$
Balance as of January 1, 2019		675,142,135	22,759,673	7,747,316	93,940	(189,449)	(20,914,779)	9,496,701	9,989,774	19,486,475
Issuance of shares		2,500,000	125,000	25,424				150,424		150,424
Eqyuity component of convertible debenture					31,707			31,707		31,707
Share-based compensation				163,120				163,120		163,120
Transactions with owners		677,642,135	22,884,673	7,935,860	125,647	(189,449)	(20,914,779)	9,841,952	9,989,774	19,831,726
Net loss							(1,187,782)	(1,187,782)	323,016	(864,766)
Other comprehensive loss						(444,610)		(22,711)	(421,899)	(444,610)
Total comprehensive loss for the year		–	–	–	–	(444,610)	(1,187,782)	(1,210,493)	(98,883)	(1,309,376)
Balance as of June 30, 2019		677,642,135	22,884,673	7,935,860	125,647	(634,059)	(22,102,561)	8,209,560	9,890,891	18,100,451
Balance as of January 1, 2018		629,659,055	20,550,873	7,477,763		220,481	(17,062,100)	11,187,017		11,187,017
Reclassification other comprehensive income						(129,906)	129,906			-
Issuance of shares		5,400,000	375,000	65,658				440,658		440,658
Exercise of warrants		31,000,000	1,560,943	(355,755)				1,205,188		1,205,188
Issuance costs		2,100,000	(85,658)					(85,658)		(85,658)
Non-controlling interest									9,746,100	9,746,100
Share-based compensation				279,321				279,321		279,321
Transactions with owners		668,159,055	22,401,158	7,466,987		90,575	(16,932,194)	13,026,526	9,746,100	22,772,626
Net loss							(2,102,393)	(2,102,393)	74,731	(2,027,662)
Other comprehensive loss						(90,795)		(90,795)	(4,963)	(95,758)
Total comprehensive loss for the year		–	–	–	–	(90,795)	(2,102,393)	(2,193,188)	69,768	(2,123,419)
Balance as of June 30, 2018		668,159,055	22,401,158	7,466,987		(220)	(19,034,587)	10,833,338	9,815,868	20,649,206

The accompanying notes are an integral part of these interim consolidated financial statements.

Peak Positioning Technologies Inc.
Interim Consolidated Statements of Cash Flows

For the three and six-month periods ended June 30, 2019 and 2018
(In Canadian dollars)
(Unaudited)

	Three-month period ended June 30		Six-month period ended June 30	
	2019	2018	2019	2018
	$	$	$	$
OPERATING ACTIVITIES				
Net loss	(295,987)	(971,895)	(864,766)	(2,027,662)
Non-cash items				
Depreciation of property and equipment	10,147	883	19,536	903
Issuance of shares for settlement of debt	90,000	–	125,000	
Expected credit loss	32,576	–	37,043	
Amortization of intangible assets	203,773	133,010	390,920	265,844
Share-based compensation	90,026	156,401	163,120	279,321
Accretion of convertible debentures	145,608	119,198	278,492	256,637
Loans receivables maturing in more than 12 months	152,306	(9,955,826)	92,588	(9,955,826)
Interest charges	90,196	90,678	199,280	192,759
Interest paid	(90,196)	(90,678)	(197,966)	(172,945)
Net changes in working capital items				
Tax liabilities	85,669	187,552	160,384	112,792
Account receivables (note 7)	(867,943)	–	(867,943)	
Loans receivables maturing in less than 12 months	110,961	(10,140,494)	(2,188,595)	(10,140,494)
Advance from a shareholders	–	4,104,791	–	4,104,791
Lease liabilities	426,457	–	607,322	
Prepaid expenses	(13,188)	(17,905)	34,986	(206,579)
Other current financial liabilities	871,039	77,869	1,350,748	40,161
Cash flows from operating activities	1,041,444	(16,306,416)	(659,851)	(17,250,298)
INVESTING ACTIVITIES				
Term deposit	–	–	–	1,200,000
Intangible asset	(462,432)	–	(2,220,360)	
Property and equipment	(137)	(13,613)	(18,238)	(13,613)
Debtors (note 7)	99,001	4,136,474	64,790	(248,098)
Cash flows from investing activites	(363,568)	4,122,861	(2,173,808)	938,289
FINANCING ACTIVITIES				
Issuance of debenture	280,000	–	280,000	–
Debenture subscription received	–	6,000,000	250,000	9,000,000
Contingent compensation	–	–	1,430,000	
Non-controlling interest	(227,365)	9,815,868	(98,883)	9,815,868
Issuance of shares	–	–	–	230,000
Cash flows from financing activities	52,635	15,815,868	1,861,117	19,045,868
IMPACT OF FOREIGN EXCHANGE	(728,445)	(70,569)	(767,625)	(165,527)
Net increase(decrease) in cash	2,066	3,561,744	(1,740,167)	2,568,332
Cash, beginning of period	274,177	1,478,272	2,016,410	2,471,683
Cash, end of period	276,243	5,040,016	276,243	5,040,016

The accompanying notes are an integral part of these interim consolidated financial statements.

Peak Positioning Technologies Inc.
Consolidated Statements of Financial Position

June 30, 2019 and December 31, 2018

(In Canadian dollars)

(Unaudited)

	Note	2019-06-30	2018-12-31
		$	$
ASSETS			
Current			
Cash		276,243	2,016,410
Loans receivables	6	11,769,262	9,617,710
Debtors	7	1,432,115	864,434
Prepaid expenses		277,129	383,635
Deferred financing cost		353,377	353,377
		14,108,126	13,235,566
Loans receivables	6	9,669,485	9,762,072
Property and equipment	8	111,498	112,796
Right-of use assets		648,205	–
Intangible assets	9	2,760,103	1,578,869
		27,297,417	24,689,303
LIABILITIES			
Current			
Accounts payable, advance and accrued liabilities	10	3,522,287	1,460,992
Debentures	11	3,593,469	3,343,820
Contingent compensation payable	5	1,430,000	–
		8,545,756	4,804,812
Debentures	11	651,209	398,015
		9,196,965	5,202,827
SHAREHOLDERS' DEFICIENCY			
Capital stock		22,884,673	22,759,673
Contributed surplus		7,935,860	7,747,316
Equity component of convertible debentures	11	125,647	93,940
Accumulated other comprehensive income		(634,059)	(189,449)
Deficit		(22,102,561)	(20,914,779)
Shareholders equity attributable to owners of the parent		8,209,560	9,496,701
Non controlling interest		9,890,891	9,989,774
Total shareholders' equity		18,100,451	19,486,475
		27,297,417	24,689,303

The accompanying notes are an integral part of these interim consolidated financial statements.

On behalf of the Board,

/S/ Johnson Joseph
Director

/S/ Laval Bolduc
Director

Peak Positioning Technologies Inc.
Notes to Interim Consolidated Financial Statements

for the three and six-month ended June 30, 2019 and 2018
(In Canadian dollars)
(Unaudited)

1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GENERAL INFORMATION

Peak Positioning Technologies Inc. (hereinafter the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta) on May 13, 2008, and continued under the Canada Business Corporations Act on April 4, 2011. Peak Positioning Technologies Inc.'s executive offices are located at 550 Sherbrooke Street West, Suite 265, Montréal, Quebec, Canada. Its shares are traded on the Canadian Stock Exchange (CSE) under the symbol "PKK". Its shares are quoted in the U.S. on the OTC Market's Groups "Pink Sheet": PKKFF.

Peak is an IT portfolio management company whose mission is to assemble, finance and manage a portfolio of promissing companies and assets in some of the fastest growing tech sectors in China, including fintech, e-commerce and cloud-computing. Peak provides a bridge for North American Investors who wish to participate in the continued digitization of China's industrial sectors through the latest advancements in technology.

The unaudited interim consolidated financial statements include the accounts of Peak Positioning Technologies Inc. and all of its subsidiaries.

The Company attributes total comprehensive income or loss of the subsidiary between the owners of the parent company and the non-controlling interests based on their respective ownership interests.

The following entities have been consolidated within these consolidated financial statements:

Entities	**Registered**	**% of ownership and voting right**	**Principal activity**	**Functional Currency**
Peak Positioning Technologies Inc.	Canada		Holding and parent company	Canadian dollar
Asia Synergy Limited	Hong Kong	100%	Holding	Renminbi
Asia Synergy Holdings	China	100%	Holding	Renminbi
Asia Synergy Technologies Ltd.	China	100%	Technology based product procurement facilitator	Renminbi
Asia Synergy Data Solutions Ltd.	China	100%	Fintech	Renminbi
Asia Synergy Credit Solutions Ltd	China	100%	Credit outsourcing services	Renminbi
Asia Synergy Supply Chain Ltd	China	51%	Supply Chain services	Renminbi
Wuxi Aorong Ltd.	China	100%	Holding	Renminbi
Asia Synergy Financial Capital Ltd	China	51%	Financial institution	Renminbi

The unaudited interim condensed consolidated financial statements (the "consolidated interim financial statements") are in compliance with the International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Since they are condensed financial statements, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), have been voluntarily omitted or summarized.

1 - GOVERNING STATUTES, NATURE OF OPERATIONS AND GENERAL INFORMATION (cont'd)

The preparation of financial statements in accordance with IAS 34 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 5 of the Company's consolidated financial statements for the year ended December 31, 2018. There has not been any significant change in judgments, estimates or assumptions since then. These consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018.

The consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018, except as described below in the changes in accounting policies section.

The interim consolidated financial statements for the three and six-month periods ended June 30, 2019 (including comparative figures) were approved by the Board of Directors on August 28, 2019.

2 - GOING CONCERN ASSESSMENT

These interim consolidated financial statements have been prepared on the basis of the going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The level of revenue currently being generated is not presently sufficient to meet the working capital requirements. The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Also, the Company incurred a net loss of $864,766 for the six-month period ended June 30, 2019 ($2,027,662 for 2018), it has an accumulated deficit of $22,102,561 as at June 30, 2019 ($20,914,779 as at December 31, 2018) and it has not yet generated positive cash flows from operations. Until that happens, the company will continue to assess its working capital needs and undertake whatever initiative it deems necessary to ensure that it continues to be in a position to meet its financial obligations. These material uncertainties cast significant doubt regarding the Company's ability to continue as a going concern.

The interim consolidated financial statements do not include any adjustments or disclosures that may be necessary should the Company not be able to continue as a going concern. If this were the case, these adjustments could be material.

(In Canadian dollars)

3. CHANGES IN ACCOUNTING POLICIES

3.1 New Standards adopted as at January 1, 2019

The company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

The Group adopted IFRS 16, Leases, on January 1, 2019. In accordance with the transition guidance of IFRS 16, the new requirements have been applied retroactively with the cumulative effect of initial application recognised as at January 1, 2019. The 2018 financial statements have not been restated.

Previously, the Group classified all leases as operating leases and did not recognise assets or liabilities in the statement statement of financial position because substantially all the risks and rewards incidental to ownership of the leased asset were not transferred. IFRS 16 requires that lessors recognise assets and liabilities for all leases on the statement of financial position, unless the lease term is 12 months or less or the lease for which the underlying asset is of low value.

On adoption of IFRS 16, the Group recognised the lease liabilities for leases that had previously been classified as “operating leases” in accordance with the principles of IAS 17, Leases. These obligations have been measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities as at January 1, 2019 was 9.42%. The related right-of-use assets were measured in the amount of the lease liabilities as at January 1, 2019, adjusted for the amount of lease incentives recognised in liabilities as at December 31, 2018.

Adoption of IFRS 16 had the following impact on the financial position as at January 1, 2019:

Right-of-use assets	$393,455
Lease liabilities	$393,455

The discounted value of the operating lease commitments presented in accordance with IAS 17 as at December 31, 2018, Calculated using the incremental borrowing rate as at January 1, 2019, is $9.27%. The difference between the discounted value of these commitments and the lease liabilities recognized as at December 31, 2018, is essentially variable lease payments relating to operating expenses, property taxes and insurance costs for office space that were not included in the lease liabilities

On transition, for leases previously accounted for as operating leases with a remaining leases term of less than 12 months and for leases of low-value assets the Company as applied the optional exemptions to not recognise right-of use assets but to account for the lease expense on a straight-line basis over the remaning lease term.
Low-value assets comprise information technology equipment and small value items of office furniture.

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leases

Policy applicable as of January 1, 2019

The Company recognized a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereafter, the “commencement date”).

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received.

The right-of-use asset is amortized over the shorter of the estimated useful life of the underlying asset or the lease term on on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discounting rate. The lease payments included in the lease liability include the following, in particular:

– Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
– Variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
– Lease payments relating to extension options that the Company is reasonably certain it will exercise.

The Company has elected not to recognize separately non-lease components of leases for office space (buildings). Accordingly, lease payments and the lease liability include payments relating to lease and non-lease components.

The interest expense relating to lease liabilities is recognized in profit or loss using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or when the Company changes its measurement with respect to the exercise of a purchase, extension or termination option. The lease liability adjustment is adjusted against the related right-of-use asset or recorded in profit or loss if the right-of-use asset is reduced to zero.

Lease payments relating to leases with a lease term of 12 months or less and leases for which the underlying asset is of low value are recognized on a straight-line basis as an expense in profit or loss. Low-value assets include computer equipment and small office furniture.

Policy applicable before January 1, 2019

Operating leases

All leases where the lessor retained significant portion of the risks and rewards of ownership are treated as operating leases. Payments under operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(In Canadian dollars)

5 - BUSINESS COMBINATION

On January 1, 2019, the Company transfer certain assets and personnel from Wuxi Wenyi Financial Services Co. into a newly created subsidiary of the Company called Asia Synergy Credit Solutions ("ASCS"). The assets acquired are intangible assets consisting of loans servicing agreements. The assets acquired were determined to constitute a business and, accordingly, the acquisition will be accounted for using the acquisition method of accounting.

The total purchase price for this acquisition was estimated at $2,000,000, and the fair value of the consideration transferred at $1,430,000 using a discount rate of 22%. The purchase price will be settled with the issuance of a maximum of 20,000,000 shares of the Company if certain financial performance of ASCS is achieved during the first 18 months of operations. In the event that 20,000,000 shares are issued after the 18-month period and the listed common shared price of the Company is less than $0.10 at that time, the Company will issue additional shares to obtain an aggregate consideration value of $2,000,000.

Fair value of consideration transferred	
Issuance between 20,000,000 and 28,667,000 shares of the Company at a market pric	
ranging from $0.05 to $0.20	1,430,000
Total consideration transferred (conditional compensation)	1,430,000
Identifiable net assets acquired	
Loan servicing agreements	1,430,000
Liabilities assumed	–
Identifiable total net assets	1,430,000
Goodwill on acquisition	–
	1,430,000

The conditional compensation liabilities of $1,430,000 will be re-evaluated on a quarterly basis with each issuance of the Company shares. Difference between the re-evaluate fair value of the remaining conditional compensation and the previously accounted amount will be recognized in profit or loss of the period.

The Company's valuation of intangible assets has identified loan servicing agreements which are amortized on a straight-line basis with a useful life of 5 years. Significant assumptions used in the determination of intangible assets , as defined by management, include month over month loan renewals, discount rate and operating income before depreciation and amortization margin.

There were acquisition-related costs which amounted approximately to $10,000 with respect to consulting and professional fees. These costs were not included as part of the consideration transferred and have been recognized as an expense in the consolidated statements of comprehensive income for the year ended December 31, 2018.

Peak Positioning Technologies Inc.
Notes to Interim Consolidated Financial Statements
for the three and six-month ended June 30, 2019 and 2018
(In Canadian dollars)
(Unaudited)

6 - LOANS RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES

In May 2018 the Company established a licensed financial services' subsidiary in China named Asia Synergy Financial Capital ("ASFC") to provide various financial services to small and medium size enterprise and entrepreneurs. Those services include loans, who for the most part, are guaranteed by a third party and/or collateral assets. Interest revenue from the loans is accounted for as earned. The loans bear interest at an average annual rate of 15.9% since the beginning of ASFC operations calculated on their face value. At inception, loan weighted average repayment period was 16.0 months. For the majority of loans granted, principal and interest are payable by the borrower on a monthly basis.

Loans receivables are described as follows :

	2019-06-30	2018-12-31
	$	$
Principal balance loans receivables	21,619,662	19,528,848
Less expected credit loss (ECL)	(180,915)	(149,066)
Loan receivables net	21,438,747	19,379,782
Loans receivables maturing in less than 12 months	11,769,262	9,617,710
Loans receivables maturing in more than 12 months	9,669,485	9,762,072
Total loans	21,438,747	19,379,782

Impaired loans and allowances for credit loss

The Company performed a three-stage forward looking impairment approach to it loan portfolio to measure the expected credit loss as described in detail in note 4.10 of the Company Consolidated Financial Statement as of December 31, 2018.

Credit quality of loans

The following table presents the gross carrying amount of loans receivables at June 30, 2019 , according to credit quality and ECL impairment stages

Peak Positioning Technologies Inc.
Notes to Interim Consolidated Financial Statements
for the three and six-month ended June 30, 2019 and 2018
(In Canadian dollars)
(Unaudited)

6 - LOANS RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

ECL is calculated on loans value at period end that are not insured by a third party with an assumption of a credit loss allocation of 22% after applying the following provision % :

Stage 1 : 1%
Stage 2: 30%
Stage 3 :100%

June 30,2019	%	Gross	Allowance for	Net Carrying
		$	$	$
Stage 1 Not overdue <= 30 Days	94.8%	20,497,483	(43,354)	20,454,129
Stage 2 Overdue 1–90 days	3.3%	717,228	(47,731)	669,497
Stage 3 Overdue> 90 days	1.9%	404,952	(89,831)	315,121
Total	100.0%	21,619,662	(180,915)	21,438,747

December 31, 2018	%	Gross	Allowance for	Net Carrying
		$	$	$
Stage 1 Not overdue <= 30 Days	92.0%	17,961,283	(22,469)	17,938,814
Stage 2 Overdue 1–90 days	7.3%	1,417,319	(93,543)	1,323,776
Stage 3 Overdue> 90 days	0.8%	150,246	(33,054)	117,192
Total	100.0%	19,528,848	(149,066)	19,379,782

7 - DEBTORS

	2018-06-30	2018-12-31
	$	$
Sales tax receivable	13,892	70,884
Advances to companies, 1.55% to 1.7% per month, payable on demand	218,039	511,550
Account receivables	867,943	–
Safety deposit with guarantor	228,720	–
Advance to an affiliated company	103,520	32,000
Subscription received/receivable	–	250,000
	1,432,115	864,434

Peak Positioning Technologies Inc.
Notes to Interim Consolidated Financial Statements
for the three and six-month ended June 30, 2019 and 2018
(In Canadian dollars)
(Unaudited)

8 - PROPERTY AND EQUIPMENT

	Office equipment	Vehicles	Total
	$	$	$
Gross carrying amount			
Balance as at January 1,2019	71,224	47,592	118,816
Acquisition	22,032	–	22,032
Balance as at June 30, 2019	93,256	47,592	140,848
Accumulated amortization			
Balance as at January 1,2019	3,194	2,826	6,020
Amortization	14,103	5,432	19,536
Exchange differences	2,056	1,738	3,794
Balance as at June 30, 2019	19,353	9,996	29,350
Net carrying amount as at June 30, 2019	73,902	37,596	111,498

Gross carrying amount			
Balance as at January 1,2018	405	–	405
Acquisition	70,819	47,592	118,411
Balance as at December 31, 2018	71,224	47,592	118,816
Accumulated amortization			
Balance as at January 1,2018	96	–	96
Amortization	3,098	2,826	5,924
Exchange differences	–	–	–
Balance as at December 31, 2018	3,194	2,826	6,020
Net carrying amount as at December 31, 2018	68,030	44,766	112,796

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9 - INTANGIBLE ASSETS

	Loan servicing agreement	Trading Platform	Lending Hub Platform	Total
	$	$	$	$
Gross carrying amount				
Balance as at January 1, 2019	–	2,461,348	747,940	3,209,288
Acquisition	1,430,000	–	167,717	1,597,717
Balance as at June 30, 2019	1,430,000	2,461,348	915,657	4,807,005
Accumulated amortization				
Balance as at January 1, 2019	–	1,578,607	51,812	1,630,419
Amortization	143,000	199,034	48,887	390,921
Exchange differences	–		25,562	25,562
Balance as at June 30, 2019	143,000	1,777,641	126,261	2,046,902
Net carrying amount as at June 30, 2019	1,287,000	683,707	789,396	2,760,103
Gross carrying amount				
Balance as at January 1, 2018	–	2,461,348	181,702	2,643,050
Acquisition	–		566,238	566,238
Balance as at December 31, 2018	–	2,461,348	747,940	3,209,288
Accumulated amortization				
Balance as at January 1, 2018	–	615,337		615,337
Amortization	–	492,270	63,131	555,401
Impairment loss	–	471,000	–	471,000
Exchange differences			(11,319)	(11,319)
Balance as at December 31, 2018	–	1,578,607	51,812	1,630,419
Net carrying amount as at December 31, 2018	–	882,741	696,128	1,578,869

10 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019-06-30	2018-12-31
	$	$
Income tax	238,850	111,139
Lease liability	607,322	
Advance from third, no interest	787,750	262,377
Trade accounts payable and accruals	1,888,365	1,087,476
	3,522,287	1,460,992

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11 - DEBENTURES

a) Debenture issuance of December 15, 2017

On December 15, 2017, the Company placed a total of 1,200 units of debenture at $10,000 par unit for a gross proceeds of $12,000,000. Each unit sold is comprised of $10,000 face value debenture plus 200,000 common share purchase warrants.

Debentures are secured by a pledge on the aggregate assets of the Company, maturing on December 15, 2019, bearing interest at a nominal rate of 8% payable monthly. The Company used the residual value method to allocate the principal amount of the debenture between the liability and the contributed surplus. Under this method, an amount of $2,721,260 (net of transaction costs) related to the warrants issued was applied to the contributed surplus. The fair value of the liability component was $9,005,148 computed as the present value of future principal and interest payments discounted at a rate of 25%. The debentures allow their subscribers to surrender part or all of the amount invested in the debentures to exercise their warrants and purchase common shares of the Company any time prior to maturity, subject to certain terms and conditions, at a price of $0.05 per common share. The units contain a "forced warrant conversion" feature under which 50% of the face value of the debenture will automatically be surrendered to exercise 50% of the warrants if the Company common shares trade at $0.15 or more for 3 consecutive trading days, and 100% if the Company's common shares trade at $0.20 or more for 3 consecutive days.

	2019-06-30	2018-12-31
	$	$
Balance, beginning of year	3,343,820	4,263,913
Addition	–	–
Accretion of debentures	234,628	453,471
Equity component of debentures	–	–
Surrendering of debentures for exercise of warrants (a)		(1,410,356)
Issuance cost (b)	15,021	36,792
Balance, end of year	3,593,469	3,343,820

a) At the issuance date, a total of 240,000,000 warrants were included as part of the units debenture. 191,000,000 warrants were transferred from existing warrant holders to the debentures' subscribers, for which the original warrants holders received 2,500,000 stock options as compensation, and 49,000,000 additional warrants were newly issued. On the same date the debentures were issued, some debenture subscribers surrendered their debentures for a total face value of $6,350,000 to exercise 127,000,000 warrants at a price of $0.05.

During the year of 2018, 36,000,000 warrants was exercised at a price of $0.05 following surrendering of debenture for a total face value of $1,800,000.

b) Issuance cost are related to legal expenses, broker commissions and stock option value to directors and officers

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b) Debenture issuance of December 19, 2018

On December 19, 2018, the Company placed 51 units of unsecured convertible debentures at $10,000 per unit for a gross proceeds of $510,000. Each unit sold is comprised of $10,000 face value debentures, maturing on December 19, 2020, bearing interest at a nominal rate of 8% payable monthly, plus 10,000 purchase warrants exercisable into Company common share at $0.10 per share for a period of 24 months from the date of issuance.

The debentures allow their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at a price of$0.05 per common share.

The units contain a “forced warrant conversion” feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at $0.20 or more for 3 consecutive trading days.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, equity component of debenture and the contributed surplus. Under this method, an amount of $93,940 and $3,578 (net of transaction costs) related to the conversion features and the warrants issued was applied to equity component of debenture and contributed surplus (respectively). The fair value of the liability component was $396,672 computed as the present value of future principal and interest discounted at a rate of 22%.

	2019-06-30	2018-12-31
	$	$
Balance at the beginning	398,015	–
Addition	–	510,000
Accretion of debentures	21,470	1,343
Equity component of debentures	–	(93,940)
Contributed surplus for warrants	–	(3,578)
Issuance cost (1)	3,188	(15,810)
Balance at the end	422,673	398,015

1) Issuance cost are related to legal expenses and broker commissions.

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c) Debenture issuance of April 24, 2019

On April 24, 2019, the Company placed 28 units of unsecured convertible debentures at $10,000 per unit for a gross proceeds of $280,000. Each unit sold is comprised of $10,000 face value debentures, maturing on April 24, 2021, bearing interest at a nominal rate of 8% payable monthly, plus 200,000 purchase warrants exercisable into Company common share at $0.10 per share for a period of 24 months from the date of issuance.

The debentures allow their subscribers to convert them into common shares of the Company at any time prior to maturity, subject to certain terms and conditions, at a the lower of $0.05 per common share or at the market price per common share prevailing at the time of conversion.

The units contain a “forced warrant conversion” feature under which the debenture will automatically be surrendered and converted into common shares of the Company should the shares of the Company trade at $0.20 or more for 3 consecutive trading days.

The Company used the residual value method to allocate the principal amount of the debentures between the liability, equity component of debenture and the contributed surplus. Under this method, an amount of $31,707 and $23,942 related to the conversion features and the warrants issued was applied to equity component of debenture and contributed surplus (respectively). The fair value of the liability component was $224,351 computed as the present value of future principal and interest discounted at a rate of 22%.

	2019-06-30	2018-12-31
	$	$
Balance at the beginning	–	–
Addition	280,000	–
Accretion of debentures	4,185	–
Equity component of debentures	(31,707)	–
Contributed surplus for warrants	(23,942)	–
Balance at the end	228,536	–

(In Canadian dollars)

12 - SHAREHOLDERS' EQUITY

12.1 Authorized share capital

The share capital of the Company consists of an unlimited number of common shares without par value.

12.2 Descriptions of the shareholders equity operations

a) In January 2019, the Company issued 700,000 common shares to settle $35,000 of debt related to consulting services received by the Company.

b) As part of the private placement consisting of non-secure convertible debenture close on April 24, 2019 for a consideration of $280,000, the Company issued 5,600,000 share purchase warrants with an exercise price of $0.10 per share for a twenty-four (24) month period following the closing date.

Peak also granted 75,000 finder’s compensation warrants to eligible persons who helped place the debenture units entitling them to purchase a number of Peak common shares equal to 2.5% of the value of debentures they help place, at a price of $0.05 per common share for a twenty-four-month period following the closing date.

The fair value of the 5,600,000 warrants was $83,544 with an attributed value of $23,942 to contributed surplus.The fair value of the warrants was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	$0.035
Expected life	2 years
Risk-free interest rate	1.51%
Expected volatility	126%
Dividend	0%
Exercise price at the date of grant	$0.10

The fair value of the 75,000 finder's warrants was $1,482. The fair value was calculated using the Black & Scholes option pricing model and the following weighted average assumptions:

Share price at the date of grant	$0.035
Expected life	2 years
Risk-free interest rate	1.51%
Expected volatility	126%
Dividend	0%
Exercise price at the date of grant	$0.05

(In Canadian dollars)

The volatility was determined by using the Company's own historical volatility over a period corresponding to expected life of the share options for each evaluation of fair value using the Black & Scholes option pricing model.

c) In May 2019, the Company issued 1,800,000 common shares to settle $90,000 of debt related to consulting services received by the Company.

12.3 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares as follows:

	2019-06-30		2018-12-31	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	116,260,359	0.063	144,773,692	0.059
Granted	5,675,000	0.099	7,486,667	0.073
Expired	(1,640,359)	0.200	–	–
Exercised	–	–	(36,000,000)	0.050
Outstanding and exercisable, end of period	120,295,000	0.063	116,260,359	0.063

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12.3 Warrants (continued)

As of June 30, 2019 and December 31, 2018, the number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

	2019-06-30		2018-12-31	
	Number	Exercise price	Number	Exercise price
		$		$
Expiration date				
March 2019	–	–	1,640,359	0.200
December 2019	84,000,000	0.050	84,000,000	0.050
May 2020	2,900,000	0.100	2,900,000	0.100
December 2020	210,000	0.050	210,000	0.050
December 2020	510,000	0.100	510,000	0.100
April 2021	75,000	0.050	–	–
April 2021	5,600,000	0.100	–	–
June 2022	3,866,667	0.050	3,866,667	0.050
June 2022	5,800,000	0.057	5,800,000	0.057
June 2022	3,333,333	0.061	3,333,333	0.061
June 2022	14,000,000	0.120	14,000,000	0.120
	120,295,000		116,260,359	

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13 - SHARE-BASED PAYMENTS

The Company has adopted an incentive stock option plan which provides that the Board of Directors of the Company may, from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and others providing similar services to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to 5 years from the date of grant. The options reserved for issuance to any individual director, officer or employee will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to others providing services will not exceed 2% of the issued and outstanding common shares. Options may be exercised as of the grant date for a period determined by the Board, but shall not be greater than 5 years from the date of the grant and 90 days following cessation of the optionee's position with the Company. Provided that the cessation of office, directorship or employment or other similar service arrangement was by reason of death (in the case of an individual), the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Share options and weighted average exercise prices are as follows for the reporting periods presented :

	2019-06-30		2018-12-31	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	41,900,000	0.074	35,695,000	0.078
Granted	14,000,000	0.051	7,675,000	0.052
Expired	–		(1,470,000)	0.059
Forfeited	(2,100,000)	0.077	–	
Exercised	–		–	
Outstanding end of period	53,800,000	0.068	41,900,000	0.074
Exercisable end of period	32,418,750	0.077	27,198,750	0.076

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13 - SHARE-BASED PAYMENTS(continued)

The table below summarizes the information related to outstanding share options as at June 30, 2019

Range of exercise price	Number of options	Weighted average remaining contractual life (years)
$		
0.050	6,400,000	11 months
0.050	2,500,000	1 years and 6 months
0.050	150,000	1 years and 11 months
0.085	10,500,000	2 years and 1 months
0.105	7,175,000	3 years
0.055	375,000	3 years and 5 months
0.080	5,000,000	3 years and 6 months
0.050	100,000	3 years and 10 months
0.050	7,275,000	4 years
0.050	750,000	4 years and 5 months
0.050	12,950,000	4 years and 11months
0.105	625,000	4 years and 11months
	53,800,000	

The Company has recorded an expense of $90,026 in the second quarter of 2019 ($156,401 in Q2-2018) as stock-based compensation. The offset was credited to contributed surplus.

(In Canadian dollars)

13.1 Share-based payments granted to directors and employees

a) On February 12, 2019, the Company granted options to acquire 750,000 common shares at a price of $0.05 to certain employees . The fair value of the options granted to certain directors and employees amounted to $29,486 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

The shares are vesting over a two-year period and are exercisable over a period of five years expiring in November 2023.

Share price at the date of grant	$0.045
Expected life	4 years and 8 months
Risk-free interest rate	1.79%
Volatility	140%
Dividend	0%
Exercise price at the date of grant	$0.050

b) On May 27, 2019, the Company granted options to acquire 8,950,000 common shares at a price of $0.05 to certain employees and directors. The fair value of the options granted to certain directors and employees amounted to $274,599 and was calculated using the Black & Scholes option pricing model and the following assumptions on a weighted average basis:

The shares are vesting over a two-year period and are exercisable over a period of five years expiring in May 2024.

Share price at the date of grant	$0.035
Expected life	5 years
Risk-free interest rate	1.48%
Volatility	144%
Dividend	0%
Exercise price at the date of grant	$0.050

13.2 Options granted to consultants

a) On January 7, 2019, the Company granted 300,000 options to eligible consultants at an exercise price of $0.10 per share. The options vested at the date of granting and are be exercisable over a period of five years expiring in January 2024. The fair value of the options granted amounted to $20,300 and was determined by management by comparing similar services on the market. management by comparing with similar services on the market.

b) On May 1, 2019, the Company granted 1,000,000 options to CHF Investors Relations Inc. As part of an investors relations agreement at an exercise price of $0.05 per share. The options will vest over twelve months following the date of granting and are exercisable over a period of five years expiring in may 2024. The fair value of the options granted amounted to $30,283 and was determined by management by comparing with similar services on the market.

c) On May 1, 2019, the Company granted two (2) sets of options to a consultant to acquire 3,000,000 common shares (1,500,000 each set) at the price of the higher of $0.05 per share and a price that is 20% higher than the Company stock price on the last trading day immediately preceding the date of the issuance of the stock option. Each set of option will vest on the achievement of a minimum of measurable revenue targets that the consultant must help the Company achieve. If vested, the options will expire on May 1st, 2024. The fair value of the options granted amounted to $56,281 and was determined by management by comparing with similar services on the market.

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14 - Finance costs

	2019-06-30 (3 Months)	2018-06-30 (3 Months)	2019-06-30 (6 Months)	2018-06-30 (6 Months)
Interests on debentures	91,337	90,678	175,248	192,759
Interest on lease liabilities	13,892	–	21,830	–
Interest on security deposit guarantors	14,185	–	30,111	–
Interest income	(329)	(9,058)	(1,706)	(11,514)
Accretion on debentures	136,453	109,744	260,283	235,703
Total interest expense	255,538	191,364	485,766	416,948
Miscellaneous	892	(1,465)	2,202	697
	256,430	189,899	487,968	417,645

15 - RELATED PARTY TRANSACTIONS

The Company’s related party transactions do not include, unless otherwise stated, special terms and conditions. No guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with key management personnel, officers and directors

The Company’s key management personnel, the Chief Executive Officer and the Chief Executive Officer of the Chinese subsidiaries are members of the Board, and their remuneration includes the following expenses:

	2019-06-30 (3 months) $	2018-06-30 (3 months) $	2019-06-30 (6 months) $	2018-06-30 (6 months) $
Salaries and fringe benefits	96,249	95,513	191,667	192,606
Share-based payments	79,422	143,079	152,121	265,999
Technical, marketing and website services			–	
paid to an affiliated company	21,000	–	21,000	43,680
Management fees paid to a comapny held by a director	12,575	18,675	20,900	54,008
Interests on debentures	348	200	548	400
Total	209,594	257,467	386,236	556,693

These transactions occurred in the normal course of operations and have been measured at fair value.

As at June 30,2019 and December 31, 2018 the consolidated statement of financial position includes the following amounts with related parties:

	2019-06-30 $	2018-12-31 $
Advances to an affiliated company (Note 7)	103,520	32,000

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16 - SEGMENT REPORTING

The Company has determined that there were two operating segments, which are defined below. For presentation purposes, other activities are grouped in the other heading. Each operating segment is distinguished by the type of products and services it offers and is managed separately has each requires different business processes, marketing approachs and resources. All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods and services.

The operating segments are detailed as follows:

Fintech Platform

The Fintech Platform segment comprises the procurement and distribution of products within a specific supply chain or facilitating transactions in the commercial lending industry through technology platforms.

Financial Services

The Financial Services segment encompasses providing commercial loans to entrepreneurs and SMEs and the activity of providing turn-key credit outsourcing services to banks and other lending institutions.

Both operating segments are geographically located in China.

16 - SEGMENT REPORTING (Continued)

Other

The "other" category include the activity and unallocated portion of the Canadian parent company's services and all non-operating holdings registered in Hong Kong and China

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16 - SEGMENT REPORTING (Continued)

The segment information for the six-month reporting period is as follows:

					2019-06-30
	Fintech Platform	Financial Services	Other	Elimination	Total
		$	$	$	$
Revenues (1)					
Financial service revenue	–	2,234,225	–	–	2,234,225
Fees/sales from external customers	617,008	–	–	–	617,008
Inter-segment	203,950	–	27,654	(231,604)	–
Total revenues	**820,958**	**2,234,225**	**27,654**	**(231,604)**	**2,851,233**
Expenses					
Depreciation and amortization	34,916	42,607	351,142		428,665
Interest expenses	290	51,139	436,539		487,968
All other expenses	695,918	1,428,261	640,114	(231,604)	2,532,689
Total expenses	**731,124**	**1,522,007**	**1,427,795**	**(231,604)**	**3,449,856**
Profit (loss) before tax	89,834	712,218	(1,400,141)	–	(598,623)
Income tax (recovery)	31,046	235,097	–	–	266,143
Net profit (loss)	**58,788**	**477,121**	**(1,400,141)**	**–**	**(864,766)**
Non-controlling interest	64,603	258,413	–	–	323,016
Net profit (loss) attributable to owners of the parent	(5,815)	218,708	(1,400,141)	–	(1,187,782)
Segmented assets	**4,207,460**	**22,977,696**	**17,720,824**	**(17,608,563)**	**27,297,417**

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16 - SEGMENT REPORTING (Continued)

The segment information for the six-month reporting period is as follows:

					2018-06-30
	Fintech Platform	Financial Services	Other	Elimination	Total
		$	$	$	$
Revenues (1)					
Financial services revenue	28,303	201,455	–	–	229,758
Fees/sales from external customers	–	–	–	–	–
Inter-segment	–	–	40,004	(40,004)	–
Total revenues	**28,303**	**201,455**	**40,004**	**(40,004)**	**229,758**
Expenses					
Depreciation and amortization	19,709	–	246,135		265,844
Interest expenses (income)	254	(9,398)	426,789		417,645
All other expenses	667,534	52,675	826,669	(40,004)	1,506,874
Total expenses	**687,497**	**43,277**	**1,499,592**	**(40,004)**	**2,190,362**
Profit (loss) before tax	(659,194)	158,178	(1,459,588)	–	(1,960,604)
Income tax (recovery)	–	67,058	–	–	67,058
Net Profit (loss)	**(659,194)**	**91,120**	**(1,459,588)**	**–**	**(2,027,662)**
Non-controlling interest	–	74,731	–	–	74,731
Net profit (loss)attributable to owners of the parent	(659,194)	16,389	(1,459,588)	–	(2,102,393)
Segmented assets	**3,562,033**	**20,152,789**	**21,241,699**	**(16,525,432)**	**28,431,089**

Note (1): Revenues from external customers have been identified on the basis of the customer's geographical location, which is China.

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16 - SEGMENT REPORTING (Continued)

Other (continued)

The Company's non-current assets (other than financial instruments) are located into the following geographic regions at :

	2019-06-30	2018-12-31
	Non-current Assets	Non-current Assets
	$	$
China	1,549,100	808,924
Canada	1,970,707	882,741
Total	3,519,807	1,691,665

17 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to comply with the basis of presentation adopted in the current year.

18 - SUBSEQUENT EVENTS

a) On July 16, 2019, the Company closed a private placement consisting in the sale of 1,400,000 units at a price of $0.05 per units for a proceed s of $70,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company at the price of $0.08 each for a period of 24 months from the date of issuance.

b) In August 2019, the Company issued 900,000 common shares at a price of $0.05 per common shares to settle $45,000 of debt related to consulting services received by the Company.

c) On August 28, 2019, the Company closed a private placement consisting in the sale of 22,800,000 units at a price of $0.025 per units for a proceed s of $570,000. Each unit consists of one common share and one half (1/2) of one common share purchase warrant. Each warrant entitles the holder to purchase one share of the Company at the price of $0.05 each for a period of 12 months from the date of issuance.