

BAYFRONT LAW

in alliance with Nishimura & Asahi (Singapore) LLP

Company Registration No. 201723356G

VIA E-MAIL

PRIVILEGED AND CONFIDENTIAL

DATE: 26 March 2021
TO: HILLSTONE GLOBAL LIMITED
FROM: Bayfront Law LLC
WRITER: clarence.guo@bayfrontlaw.sg
SUBJECT: Opinion relating to Hillstone Global Limited (the **Company**) – Token issuance

1. Background and scope of advice

- 1.1 We refer to the proposed token issuance project (**Issuance**) to be conducted by the Company (and/or its affiliates). We are informed that pursuant to the Issuance, a new digital asset (**HSF**) will be generated and distributed, which is intended to be utilised on a platform to be developed and operated by the Company and/or its affiliates. Further details in relation to the background are set out in Annex A.
- 1.2 We have been instructed to provide this advice solely on the question of whether the design of HSF would cause it to be considered:
- (a) a "capital market product" for the purpose of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**);
 - (b) a "digital payment token" under the Payment Services Act 2019 (No. 2 of 2019) (the **PS Act**); or
 - (c) "e-money" under the PS Act.
- 1.3 For the purpose of this advice, we have been provided with the draft whitepaper, which is a non-binding document that sets out, *inter alia*, the proposed design of HSF to be issued. We are informed that the version of the whitepaper which will be finally released will be in substantially the same form as that provided in Annex C. We have relied only on the relevant facts, documents and instructions as informed to us in Annex A and Annex C. We have not considered any other issues, other than that as set out at paragraph 1.2 above, and have also not conducted any independent enquiries or due diligence in respect of the Issuance and the operation of the Company (or its affiliates). This advice is based on Singapore law as at the date hereof, is limited to the matters expressly specified herein and must not be read as extending, by implication or otherwise, to any other matter.
- 1.4 We have not examined or expressed any views on, nor will we be deemed to have examined or expressed any views on, any regulatory requirements, restrictions or prohibitions (a) under the laws of any other jurisdictions that may be applicable, (b) in connection with the Company's (or its affiliates') activities, the network/ecosystem, or the circumstances or conduct of the Issuance (other than that relating solely to the design of HSF) or the commercial aspects of any of the foregoing, or (c) any other ancillary digital asset, platform token, synthetic token, wrapped token, staking token, or asset-backed token such as units in venture capital funds which may be issued/created in connection with the operation of the Hillstone Finance platform. Where any reference or opinion is related to the foregoing or expressed beyond the jurisdiction of Singapore, we accordingly disclaim reliance thereupon and any obligation arising therefrom, and you are advised to obtain legal advice regarding these issues as applicable. This advice

should be read together with the annexes appended hereto, which form an integral part of this advice and will be governed by, and construed in accordance with, Singapore law.

- 1.5 Please also note that our advice does not cover any other areas of law such as tax law, privacy and data protection laws, issues relating to the licensing of information technology, intellectual property, money laundering and countering the financing of terrorism, or regulatory advice (save as mentioned at paragraph 2 below), and we do not assume any responsibility to update this advice after the date hereof.
- 1.6 The views expressed in this advice are solely our views as to the issues expressly dealt with in this advice. Our advice does not constitute an assurance, guarantee or warranty that the Singapore regulatory authorities or Singapore Courts would necessarily agree with the views stated in this advice or that any challenge would not be made or would necessarily fail. This advice is not intended to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed by any applicable law.
- 1.7 Further, it is assumed that (a) HSF and the Hillstone Finance platform, when developed, would meet their description in this advice and in the whitepaper, (b) there will be no material variations in HSF or the Hillstone Finance platform from their descriptions therein which would affect our advice, (c) all services offered on the Hillstone Finance platform will not be illegal and the necessary approvals and licences will be held by the Company, its relevant operating entities or affiliates in all applicable jurisdictions as necessary, (d) the Company will only be undertaking the Issuance as described herein, and will not be undertaking any business or activities in Singapore which would result in it requiring to be approved, registered or otherwise regulated by the Monetary Authority of Singapore (the **MAS**) under the SFA or the Payment Services Act, or any other competent authority under any applicable law or regulation, and (e) any notifications that have to be provided to the relevant authorities will be undertaken as required.
- 1.8 As of the date hereof, to our knowledge there has been no court case nor any formal notice published by the MAS which directly address the issues raised in this advice, save for various releases, guidelines and papers. Accordingly, the MAS or a court may reach an alternative conclusion different from the one provided in this advice.

2. Advice

- 2.1 A "utility token" is not a defined term under Singapore law. Solely considering the design of HSF as set out in Annex A and Annex C, we are of the view that, in itself, the design of HSF:
 - (a) constitutes a digital payment token under the PS Act;
 - (b) does not constitute e-money under the PS Act;
 - (c) does not constitute a "debenture" under the SFA;
 - (d) does not constitute the operation of a collective investment scheme under the SFA; and
 - (e) accordingly would not cause HSF to be deemed a "security" or a "capital market product" for the purpose of the SFA.
- 2.2 Our detailed analysis is set out in Annex B.

3. Benefit of advice

Our advice herein is addressed solely to yourselves solely for your benefit, and may be disclosed solely for the purpose of listing HSF on a digital asset exchange, on a non-reliance basis. It is not to be relied upon by any other person or quoted or referred to in any public

document or filed with any governmental authority or agency or disclosed in any way to any other person without our prior written consent.

Yours sincerely

A handwritten signature consisting of a vertical line with a wavy, scribbled top.

BAYFRONT LAW LLC
Encl: Annexes A to C

Annex A

Background

1. We understand that the Company is working on developing the "Hillstone Finance" platform (the **Hillstone Finance platform**), which is planned to be a comprehensive platform service that allows users to obtain information on venture capital projects, interact with other users, and participate in these venture capital projects.
2. We are informed that HSF is a transferable representation of attributed functions specified in the protocol/code of the Hillstone Finance platform, and is designed to have the following functions with the ecosystem:
 - 2.1 HSF may only be utilised on the Hillstone Finance platform (when fully completed and deployed) as the medium of exchange for valuable services provided in the ecosystem on the Hillstone Finance platform. It is not intended to be a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are not exclusively provided by the issuer. For each exchange of services on the Hillstone Finance platform, the costs are to be quantified in HSF and paid to the Hillstone Finance platform and/or the other party providing the service.
 - 2.2 HSF has the following specific features:
 - (a) An entity which intends to list on the Hillstone Finance platform would need to put forth a request, and the project review team would conduct review, investigations and studies on that entity, and develop a proposal for the financing scale, financing cycle, and financing method. For this service, that entity would need to pay the Hillstone Finance platform a service fee in HSF.
 - (b) By paying HSF, users of the Hillstone Finance platform will be able to purchase information regarding listed enterprises, and access the results of review prepared by the project review team.
 - (c) Holders of HSF would be entitled to join any exclusive networking circle for sharing of community information on the latest investments, gaining access to exclusive privileges in the ecosystem on the Hillstone Finance platform.
 - (d) The Hillstone Finance platform will also distribute HSF rewards to users who share high quality information, news and/or research relating to new investments.
 - (e) A user will be able to purchase units in venture capital funds and acquire digital certificates (represented by secondary smart contracts distinct from HSF) with the platform currency, HSF.
 - (f) Upon redemption or withdrawal by users of any funds or secondary tokens/certificates from the platform, users will be charged a withdrawal fee paid in HSF.
 - 2.3 HSF is not intended to constitute securities in Singapore or any relevant jurisdiction, and will not entitle token holders to any promise of dividends, revenue, fees, profits or investment returns.
 - 2.4 HSF is non-refundable and cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by the Company or any affiliate.
 - 2.5 HSF does not represent any shareholding, participation, right, title, or interest in the Company or any other company, enterprise or undertaking.

- 2.6 HSF is not for speculative investment, and (although HSF may eventually be traded on digital asset exchanges), there is no guarantee or representation of value or liquidity for HSF.
- 2.7 HSF is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument, unit in a collective investment scheme or any other kind of financial instrument or investment.
- 2.8 There does not appear to be any buy-back or destruction mechanism planned for HSF.
3. The Hillstone Finance platform does not facilitate the transmission of fiat currency on behalf of its users or other third parties, nor does it assist with the conversion of HSF to fiat currency.
4. The documents indicate that any conversion of HSF to fiat currency will be done on third party digital asset exchanges. It is mentioned that to the extent a secondary market or exchange for trading HSF does develop, it would be run and operated wholly independently of the Company (or its affiliates), the distribution of HSF and the Hillstone Finance platform. The Company will not create such secondary markets nor will it act as an exchange for HSF.
5. HSF does not have any tangible or physical manifestation, and does not have any intrinsic value (nor does the Company or any other person make any representation or give any commitment as to its value).

Annex B

Analysis

1. There is no specific law or regulation in Singapore that provides specifically for regulation of digital assets or digital tokens as such in relation to Singapore securities law. This has been confirmed in a statement (the **August 2017 Statement**) issued on 1 August 2017 ("MAS clarifies regulatory position on the offer of digital tokens in Singapore") by the MAS.
2. However, this cannot be taken to mean that digital assets and digital tokens are wholly unregulated in Singapore. As noted in the August 2017 Statement, digital tokens have evolved beyond just being a digital token, and depending on the features of a particular digital token, they may be subject to re-characterisation under Singapore's laws and consequently be subject to various regulatory regimes in Singapore, in particular under the SFA.

Meaning of "capital markets products" and "securities"

3. The SFA sets out at section 2(1) a definition "capital markets products" as follows:

"capital markets products" means any securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and such other products as the [MAS] may prescribe as capital markets products;"
4. Section 2(1) further defines "securities" as follows:

"securities" means:
 - (a) *shares, units in a business trust or any instrument conferring or representing a legal or beneficial ownership interest in a corporation, partnership or limited liability partnership;*
 - (b) *debentures; or*
 - (c) *any other product or class of products as may be prescribed,*
but does not include:
 - (i) *any unit of a collective investment scheme;*
 - (ii) *any bill of exchange;*
 - (iii) *any certificate of deposit issued by a bank or finance company, whether situated in Singapore or elsewhere; or*
 - (iv) *such other product or class of products as may be prescribed."*
5. Pursuant to the Securities and Futures (Prescribed Securities) Regulations 2012, various real estate investment trust (REIT) related securities have also been prescribed as "securities" (which do not appear relevant for the purposes of this advice).
6. The definitions of the terms "shares", "debenture" and "collective investment scheme", which are referred to in the definitions of "securities", are relevant for the purpose of this analysis. The other categories of instruments / relationships which would be categorised as securities (and hence capital markets products), such as derivatives contracts, spot foreign exchange

contracts, units in a business trust, or interests in partnerships, are not relevant for the purpose of this analysis and HSF would not constitute any of these.

Meaning of "debenture"

7. Section 2(1) of the SFA provides that:

"debenture" includes:

- (a) *any debenture stock, bond, note and any other debt securities issued by or proposed to be issued by a corporation or any other entity, whether constituting a charge or not, on the assets of the issuer;*
- (b) *any debenture stock, bond, note and any other debt securities issued by or proposed to be issued by a trustee-manager of a business trust in its capacity as trustee-manager of the business trust, or a trustee of a real estate investment trust in its capacity as trustee of the real estate investment trust, whether constituting a charge or not, on the assets of the business trust or real estate investment trust; or*
- (c) *such other product or class of products as the Authority may prescribe,*

but does not include:

- (i) *a cheque, letter of credit, order for the payment of money or bill of exchange; or*
- (ii) *for the purposes of the application of this definition to a provision of [the SFA] in respect of which any regulations made thereunder provide that the word "debenture" does not include a prescribed document or a document included in a prescribed class of documents, that document or a document included in that class of documents, as the case may be;"*

8. In addition, it should also be noted that under section 239(3) of the SFA, it is stated that:

"For the purposes of this Division [i.e. Division 1 of Part XIII]:

- (a) *any invitation to a person to deposit money with or to lend money to an entity shall be deemed to be an offer of debentures of the entity; and*
- (b) *any document that is issued or intended or required to be issued by an entity acknowledging or evidencing or constituting an acknowledgment of the indebtedness of the entity in respect of any money that is or may be deposited with or lent to the entity in response to such an invitation shall be deemed to be a debenture."*

9. Debentures have also been judicially defined to mean a document which either creates a debt or acknowledges it and may include any obligation, covenant, undertaking or guarantee to pay, or any acknowledgement thereof. It is key to note, however, that not all company debts qualify as debentures.

Meaning of "collective investment scheme"

10. At present, the term "collective investment scheme" under the SFA means:

10.1 an arrangement in respect of any property:

- (a) under which the participants do not have day-to-day control over the management of the property, whether or not the participants have the right to be consulted or to give directions in respect of such management;
- (b) under which either or both of the following characteristics are present:

- (i) the property is managed as a whole by or on behalf of a manager;
 - (ii) the contributions of the participants, and the profits or income out of which payments are to be made to the participants, are pooled; and
- (c) under which either or both of the following characteristics are present:
- (i) the effect of the arrangement is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise):
 - (A) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management, disposal, exercise, redemption or expiry of, any right, interest, title or benefit in the property or any part of the property; or (B) to receive sums paid out of such profits, income, or other payments or returns;
 - (ii) the purpose, purported purpose or purported effect of the arrangement is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise): (A) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management, disposal, exercise, redemption or expiry of, any right, interest, title or benefit in the property or any part of the property; or (B) to receive sums paid out of such profits, income, or other payments or returns,

whether or not: (AA) the arrangement provides for the participants to receive any benefit other than those set out in sub-paragraph 10.1(c)(iii)(A) or 10.1(c)(ii)(B) in the event that the purpose, purported purpose or purported effect is not realised; or (BB) the purpose, purported purpose or purported effect is realised; or

- 10.2 an arrangement which is an arrangement, or is of a class or description of arrangements, specified by the Authority as a collective investment scheme by notice published in the Gazette.
11. The following are not considered collective investment schemes under the SFA (each an Excluded Arrangement):
- 11.1 an arrangement operated by a person otherwise than by way of business;
 - 11.2 an arrangement under which each of the participants carries on a business other than investment business and enters into the arrangement solely incidental to that other business;
 - 11.3 an arrangement under which each of the participants is a related corporation of the manager;
 - 11.4 an arrangement made by or on behalf of an entity solely for the benefit of persons, each of whom is:
 - (a) a bona fide director or equivalent person, a former director or equivalent person, a consultant, an adviser, an employee or a former employee of that entity or, where that entity is a corporation, a related corporation of that entity; or
 - (b) a spouse, widow or widower, or a child, adopted child or step-child below the age of 18 years, of such director or equivalent person, former director or equivalent person, employee or former employee;
 - 11.5 an arrangement made by or on behalf of 2 or more entities solely for the benefit of persons, each of whom is:
 - (a) a bona fide director or equivalent person, a former director or equivalent person, a consultant, an adviser, an employee or a former employee of any of those entities or, where any of those entities is a corporation, a related corporation of the entity which is a corporation; or

- (b) a spouse, widow or widower, or a child, adopted child or step-child below the age of 18 years, of such director or equivalent person, former director or equivalent person, employee or former employee;
- 11.6 a franchise;
 - 11.7 an arrangement under which money received by an advocate and solicitor from his client, whether as a stakeholder or otherwise, acting in his professional capacity in the ordinary course of his practice, or under which money is received by a statutory body as a stakeholder in the carrying out of its statutory functions;
 - 11.8 an arrangement made by any co-operative society registered under the Co-operative Societies Act (Chapter 62 of Singapore) in accordance with the objects thereof solely for the benefit of its members;
 - 11.9 an arrangement made for the purposes of any chit fund permitted to operate under the Chit Funds Act (Chapter 39 of Singapore);
 - 11.10 an arrangement arising out of a life policy within the meaning of the Insurance Act (Chapter 142 of Singapore);
 - 11.11 a closed-end fund (see below) constituted either as an entity or a trust;
 - 11.12 an arrangement under which the whole amount of each participant's contribution is a deposit as defined in section 4B of the Banking Act (Chapter 19 of Singapore);
 - 11.13 an arrangement of which —
 - (a) the predominant purpose is to enable the participants to share in the use or enjoyment of the property or to make its use or enjoyment available gratuitously to others; and
 - (b) the property does not consist of any of the following:
 - (i) any currency of any country or territory;
 - (ii) any capital markets products;
 - (iii) any policy as defined in the First Schedule to the Insurance Act (Chapter 142 of Singapore);
 - (iv) any deposit as defined in section 4B of the Banking Act (Chapter 19 of Singapore);
 - (v) any credit facilities as defined in section 2(1) of the Banking Act (Chapter 19 of Singapore);
 - 11.14 an arrangement which is an arrangement, or is of a class or description of arrangements, specified by the Authority as not constituting a collective investment scheme by notice published in the Gazette.
 - 12. A "closed-end fund", as referred to above, means an arrangement referred to in sub-paragraphs 10.1 or 10.2 in the definition of "collective investment scheme" in paragraph 10 above, under which units that are issued are exclusively or primarily non-redeemable at the election of the holders of units.

Analysis

- 13. At the outset, it is worthwhile to note that it does not appear to us that the design of HSF, in itself (as described in Annex A), results in any stocks or shares in the Company or its affiliates being issued or subscribed for.

14. Besides the statutory provisions, statements made by the MAS in relation to the definitions of "debentures", "collective investment schemes" and "digital tokens" are instructive.

15. In the August 2017 Statement, the MAS observed that:

"...the function of digital tokens has evolved beyond just being a virtual currency. For example, digital tokens may represent ownership or a security interest over an issuer's assets or property. Such tokens may therefore be considered an offer of shares or units in a collective investment scheme [including under the revised definition of a collective investment scheme proposed in the in the Enhanced Safeguards Consultation Paper] under the SFA. Digital tokens may also represent a debt owed by an issuer and be considered a debenture under the SFA." (emphasis added)

Further, in "A Guide to Digital Token Offerings" (last updated 26 May 2020) (the **Digital Token Guide**), the MAS has stated that offers or issues of digital tokens may be regulated by the MAS if the digital tokens are capital markets products, citing the following as (non-exhaustive) examples of capital markets products that a digital token may constitute:

- (a) a share, where it confers or represents ownership interest in a corporation, represents liability of the token holder in the corporation, and represents mutual covenants with other token holders in the corporation inter se;
- (b) a debenture, where it constitutes or evidences the indebtedness of the issuer of the digital token in respect of any money that is or may be lent to the issuer by a token holder; or
- (c) a unit in a collective investment scheme, where it represents a right or interest in a collective investment scheme, or an option to acquire a right or interest in a CIS.

16. In the "Consultation Paper on Proposals to Enhance Regulatory Safeguards for Investors in the Capital Markets" issued by the MAS dated 21 July 2014 (the **Enhanced Safeguards Consultation Paper**), the MAS described debentures as:

*"2.1 Debentures are debt securities regulated under the SFA. Broadly, debentures are **instruments representing indebtedness**. These are **capital-raising instruments**, under which the **debenture issuer offers to pay interest in lieu of money borrowed for a certain period**. These may be:*

- (i) *unsecured – backed by general creditworthiness of the debenture issuer; or*
- (ii) *secured – backed by assets, which the debenture holder would have legal claim to if the issuer defaults on its payment obligations under the debenture. Examples include asset-backed securities and collateralised debt obligations." (emphasis added).*

17. In the Enhanced Safeguards Consultation Paper, the MAS contrasted debentures with buy-back arrangements, in particular, of non-financial assets, which are considered normal economic transactions, entered into in the ordinary course of business, examples of which include arrangements allowing consumers to trade-in products after use for a portion of the initial purchase price, or where the purchaser has the right to sell the product back to the seller at the prevailing market price in future.

18. The above was in the context of the (then proposed) regulation of buy-back arrangements involving precious metals (gold, silver and platinum). In its September 2015 response to the Enhanced Safeguards Consultation Paper, the MAS announced that the regulatory regime for

debentures under the SFA (and Financial Advisers Act, Cap 110) would extend to arrangements which display the following characteristics as debentures:

- 18.1 Buy-back structure – Party A purchases gold, silver or platinum ("**precious metal**") from Party B for an agreed sum of money or money's worth, with Party B being under an obligation to re-purchase the precious metal back from Party A at a future time; and
- 18.2 Debenture effect – The purpose or effect of the arrangement is to enable Party A to receive a "financial benefit" from Party B. The main risk that Party A is exposed to is the credit risk of Party B, and not fluctuations in market value of the asset.
19. As to the requirement and interpretation of "financial benefit", it was stated in the Enhanced Safeguards Consultation Paper that the "right to receipt of a financial benefit **must be agreed upon at the point in time that the parties enter into the arrangement, although the actual amount received may vary according to pre-determined factors** [including where the pre-determined factors move against Party A such that at the end of the transaction, Party A is in a net financial loss position]" (emphasis added). Examples provided by the MAS of commercial transactions where there would not be deemed to be a financial benefit would include trading contracts, storage contracts, consignment arrangements and sale and lease-back arrangements, whereas there would be a financial benefit where the effective re-purchase price that Party B agreed to pay for buy-back at the time the arrangement is entered into is higher than the initial purchase price that Party A paid for the asset.
20. The SFA refers to section 4(1) of the Companies Act (Chapter 50 of Singapore) in its definition of "share", namely being "share in the share capital of a corporation and includes stock except where a distinction between stocks and shares is expressed or implied". Typically, a share may be understood as a chose in action that gives its owner, the shareholder, a bundle of rights against the company that issued said share, and one of the most fundamental rights is the right to vote in affairs of the company. It has also been judicially noted that "a share is the interest of a shareholder in the company measured by a sum of money, for the purpose of liability in the first place, and of interest in the second, but also consisting of a series of mutual covenants entered into by all the shareholders inter se in accordance with s 16 of the Companies Act, 1862. The contract contained in the articles of association is one of the original incidents of the share. A share is not a sum of money settled in the way suggested, but is an interest measured by a sum of money and made up of various rights contained in the contract, including the right to a sum of money of a more or less amount."
21. In this regard, it is expressly stated that HSF does not represent any shareholding, participation, right, title, or interest in the Company or any other company, enterprise or undertaking. Once issued, it does not appear that holders of HSF incur any liability to the Company (or any other company, enterprise or undertaking), nor do they enter into mutual covenants, or agree to rights and obligations, with other HSF holders inter se. Consequently, it is unlikely that there would be any dealing in "securities" in the form of stocks or shares arising solely out of the design of HSF in itself.
22. As to whether HSF may be considered to be a debenture, HSF does not appear to be a "debenture" under the SFA for the following reasons:
 - 22.1 in order for an instrument to be deemed a debenture some element of indebtedness is required, but this is not present in the material provided for review;
 - 22.2 HSF is non-refundable and HSF cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by the Company or any affiliate;
 - 22.3 HSF is not a loan to the Company or any of its affiliates and there is no expectation of profit;
 - 22.4 HSF is not intended to represent a debt owed by the Company or any of its affiliates (and in this regard there does not appear to be any payment obligation on the part of the issuer,

payment of coupon and/or invitation to deposit money with or to lend money to the Company or any of its affiliates);

- 22.5 HSF may have no value and there is no guarantee or representation of value or liquidity for HSF; and
- 22.6 HSF may only be utilised on the Hillstone Finance platform (when fully completed and deployed) as a medium of exchange for valuable services provided in the ecosystem on the Hillstone Finance platform (e.g. HSF will be paid to purchase products and services).
- 23. For completeness, we would mention that HSF does not appear to constitute a buy-back arrangement (which inherently carry a higher risk of inviting regulation under Singapore securities laws for the reasons described at paragraphs 17 to 19 above) as HSF is non-refundable.

Analysis of the token issuer's activity under the definition of "collective investment scheme"

- 24. In relation to collective investment schemes, in the Frequently Asked Questions Specific to Collective Investment Schemes issued by the MAS (the **CIS FAQs**) a collective investment scheme is an arrangement where money from investors is pooled together with a view to deriving profits or income from the scheme. The scheme may invest in all kinds of assets, be they financial, real estate, precious metals or commodities. Whether or not exotic schemes (such as commodity investment schemes and schemes which involve digital assets or some other digital token) fall within the scope of that definition depends on the structure of each scheme. Where money invested in the scheme and profits or income from it are pooled, the scheme would be subject to the MAS' approval process. If a commodity is sold directly and separately to individuals, such sales would not be subject to any regulation. Schemes whose objectives are not to generate profit or income but for consumption (e.g. time-sharing schemes and memberships in golf or country clubs) would not fall within the regulatory scope of collective investment schemes under the SFA.

In the Enhanced Safeguards Consultation Paper, the MAS further mentioned that it:

"...has observed a number of arrangements offered to retail investors that fall out of the statutory definition of a CIS [i.e. collective investment scheme], simply by offering investors direct interests in underlying physical assets. This is in spite of an arrangement providing that while investors obtain legal title of the asset, they will cede day-to-day control over management of their property to the scheme operator to be managed collectively with assets of other scheme participants, for the purpose of enabling them to participate in profits of the scheme (collectively-managed investment schemes).

The key distinguishing characteristic of such schemes were that investors' contributions are not initially pooled. Apart from this, such collectively-managed investment schemes do not differ from regulated CIS..."

In this regard, MAS has also announced that the intention is to extend the scope of collective investment schemes to include schemes which are in substance similar to traditional regulated investment funds but do not pool investor's contributions.

- 25. Under the definition of "collective investment scheme", the "management" limb is an alternative to the "pooling" limb. The two limbs are to be assessed independently of each other, and the absence of the pooling of contributions or profits will not preclude a finding that there is management as a whole. An arrangement would fall outside the scope of regulation if the factual matrix indicates that (a) there is no initial pooling of assets, or (b) there is no expectation of deriving profits or income from the scheme.
- 26. It should also be noted that the MAS has issued the "Response to Feedback Received – Proposals to Enhance Regulatory Safeguards for Investors in the Capital Markets" dated 22

September 2015 (the **Response to the Enhanced Safeguards Consultation Paper**). This is noteworthy because of its discussion of the meanings of the "management" and "control" limbs found in the definition of "collective investment scheme", which may be summarised as follows:

- 26.1 in relation to the "management" limb, whether there is management "as a whole" will depend on the investment objectives of the arrangements and the collective or individual nature of the arrangements made in order to produce the intended profits. Indications of whether there is collective management appear to be:
- (a) whether the scheme operator is likely to look after the essential profit-generating activity under the instructions of, or at least in consultation with, individual owner/investors, or whether it may do so without having regard to individual investors' interests or preferences; and/or
 - (b) whether management on an individual basis is likely to be impracticable – e.g. even where returns are generated from ownership rights to specific property, the returns are generated as a result of the operators' management of activities collectively on the property as a whole;
- 26.2 in relation to the "control" limb, the MAS is of the view that for investors to be considered as having day-to-day control, they should have direct and on-going power to decide on operational matters relating to management of the scheme property. The greater the extent of reliance on the particular scheme operator's professed expertise in managing the scheme property, the less likely it is that investors have effective day-to-day control. It is also significant that the MAS considers that "if expectations created between the parties in the arrangement are such that investors would not be involved in the day-to-day management of the property, having contractual rights to be consulted on or to give the manager direction from time to time will ***not*** be considered as effective day-to-day control" (emphasis added); and
- 26.3 the MAS' intent is to extend capital markets regulatory safeguards to investors in arrangements which are in substance made and managed on a collective basis and hence pose similar risks to investors as traditional collective investment schemes. In particular, the MAS has noted that a number of such schemes previously avoided regulation as a collective investment scheme by offering investors direct legal title to individual assets (i.e. no pooling of investors' contributions). Nonetheless, investors' assets are effectively managed collectively by a third party such that their payoff is the same as the payoff that they would have obtained had their contributions been pooled.
27. From the various pronouncements from the MAS, it appears that the MAS is shifting its focus towards the fundamental purpose of transaction, and this should be analysed in detail. A "utility" token by itself, once issued, with genuine functionality and circulating on its network, would rarely be construed as a "security". In the present case, it does not appear that the design of HSF, in itself, would be construed as a collective investment scheme.
28. For the following reasons, the management and control limbs of the definition of a collective investment scheme are not fulfilled:
- 28.1 there are no contributions or funds being "managed" by any party for the purpose of generating returns or other benefits (pooled or otherwise) to be paid to HSF holders;

- 28.2 the whitepaper states that none of the Company and/or the team members shall be responsible for or liable for the value or liquidity of HSF;
- 28.3 we understand that there is no promise by the Company or any of its affiliates to pool, manage any asset and/or return any assets to project participants;
- 28.4 there does not appear to be any economic benefit, beneficial interest or legal title conferred on token holders over any property, and HSF will not entitle token holders to any promise of dividends, fees, revenue, profits or investment returns; and
- 28.5 the nature of digital tokens is that they are inherently transferable to other parties, and the mere fact (or even any hope) that HSF may be resold at a price that is potentially higher than the original purchase price does not change the fact that the intention and goal of the token distribution is so that HSF can be utilised by users. The MAS has also acknowledged in the Digital Token Guide that the ability for a digital token to be traded on the secondary market alone does not result in a digital token being construed as capital markets products under the SFA. In this regard, users are required to acknowledge that they are acquiring HSF to participate in the Hillstone Finance platform and to obtain services on the ecosystem thereon.
- 29.** Based on our understanding of the token issuer's activities relating solely to the Issuance for HSF set out in Annex A, it appears that the element of pooling of contributions and profits, which is a factor affecting whether an arrangement to fall within the definition of a collective investment scheme, is not present for the following reasons:
- 29.1 there is no promise of any profit or return back to any token holder (i.e. HSF is non-refundable and HSF cannot be exchanged for cash or any payment obligation); and
- 29.2 notwithstanding the distribution of HSF, token holders will have no economic or legal right over or beneficial interest in the assets of the Company or any of its affiliates after the token distribution.
- 30.** There is a potential residual risk that pursuant to the powers granted under section 2(1)(h) of the SFA, the MAS may prescribe digital assets / digital tokens to be "securities" for the purpose of the SFA. However, we would mention that as at the date hereof, there is no indication that the MAS intends to exercise its power to make such a declaration. Public statements released by the MAS have indicated that it would avoid taking such a broad-brush approach towards the regulation of digital assets / digital tokens.
- 31.** The key characteristic of a closed-end fund is that units in such a collective investment scheme are not redeemable at the option of the investor. Closed-end funds typically take the form of investments in the shares of an investment company (such that the investor may not realise its investment until the shares have been redeemed) – for such closed-end funds though, because shares of a company are involved, this may trigger prospectus requirements under the SFA's regime in respect of offers of shares or debentures. One further important requirement is that the closed-end fund must be constituted as an entity or trust in order to qualify as an Excluded Arrangement.
- 32.** It is unlikely that the investment arrangement offered (if applicable) may be deemed to be a closed-end fund because in the first place, for the reasons set out above, it is not likely that the design of HSF, in itself, will be considered the operation of a collective investment scheme.
- 33.** Considering the factors in their entirety, our view is that the design of HSF (as set out in Annex A), in itself, would not be considered the operation of a collective investment scheme, the management of which, or dealing of interests in which, would trigger an obligation to obtain a CMS licence.

Conclusion as to whether HSF would constitute a security under the SFA

- 34.** Further, we set out below certain characteristics displayed by financial products which would satisfy the definition of "securities":
- 34.1 the product provides the holder with ownership interest in a legal entity such as a private limited company or an unincorporated body such as a limited liability partnership;
 - 34.2 the product provides the holder with a payment of interest;
 - 34.3 the product provides the holder with an interest in underlying securities (including equity, shares or debentures);
 - 34.4 the product provides the holder with a direct or indirect exposure to underlying profits and/or losses, or assets and/or liabilities;
 - 34.5 the issuer (or any related company) has a legal obligation to repay the holder for his purchase of the product or the holder has a legal right to sell the product to the issuer (or any related company), such that the holder may potentially receive a "financial benefit"; or
 - 34.6 the product has a feature that allows the holder to convert a product into another token with characteristics set out above or otherwise grants the holder an option to purchase securities.

From the information provided to us, HSF does not appear to exhibit any of these characteristics described in this paragraph 34.

- 35.** For the various reasons set out above in this Annex B, the design of HSF would, on balance, not cause HSF to be deemed a "security" under section 2(1) of the SFA.
- 36.** It is however important to note that even if HSF would not be considered a security by design, it may be considered a security in the manner in which it was distributed, described in marketing material, and/or how it is treated. Where HSF is eventually acquired by users for investment purposes, there is an increased risk that HSF will be considered a security.

Exemptions under the SFA

- 37.** For completeness, we now turn to consider the various exemptions to CMS licensing available under the SFA.
- 38.** While there is a general exemption available to financial institutions (e.g. banks) that are regulated by the MAS, specific exemptions also apply to certain categories of persons carrying on business in regulated activities.
- 39.** Based on our understanding of the design of HSF (even if the Company or its affiliates were considered to be operating a collective investment scheme) the relevant entities at present would not qualify for any of these exemptions. In the context of an Issuance, the Company is unlikely to engage a financial institution to handle the Issuance and we understand that the Company has no plans to do so.
- 40.** Presently, there are no specific exemptions or exclusions under the SFA for activities relating to digital assets or for companies dealing with digital assets (except to the extent that such activities do not fall within the scope of any of the regulated activities). It is unclear if any new exemptions will be introduced, but it is likely that it will be some time before such exemptions would come into effect (if at all).

Meaning of "digital payment token" and "e-money" under the PS Act

- 41.** For the purpose of this advice, the two important definitions under the PS Act are the definition of "digital payment token" and "e-money". These are alternative categories under the PS Act

and depending on its exact characteristics, a digital token may fall under either category (but not both).

- 42.** A "digital payment token" is defined as any digital representation of value (other than an excluded digital representation of value) that:
- 42.1 is expressed as a unit;
 - 42.2 is not denominated in any currency, and is not pegged by its issuer to any currency;
 - 42.3 is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt;
 - 42.4 can be transferred, stored or traded electronically; and
 - 42.5 satisfies such other characteristics as the MAS may prescribe.
- 43.** On the other hand, "e-money" is further defined as any electronically stored monetary value that:
- 43.1 is denominated in any currency, or pegged by its issuer to any currency;
 - 43.2 has been paid for in advance to enable the making of payment transactions through the use of a payment account;
 - 43.3 is accepted by a person other than its issuer; and
 - 43.4 represents a claim on its issuer,
- but does not include any deposit accepted in Singapore, from any person in Singapore.

Analysis under the definition of "digital payment token" and "e-money"

- 44.** From the above definitions, we can observe that the key distinction between a digital payment token and e-money is that where the monetary value of the electronically stored amount in fiat currency cannot be determined without referring to some form of market mechanism, for example through the trading of the electronically stored monetary value on an exchange, such electronically stored amount is not e-money but may be a digital payment token.
- 45.** It is critical to note that in the "Consultation paper on proposed regulatory approach for derivatives contracts on payment tokens" issued by the MAS dated 20 November 2019 (the **Token Derivatives Consultation Paper**), the MAS described (at Footnote 1) that there are three main types of digital tokens – securities tokens, payment tokens (in particular, the MAS has affirmed that bitcoin and ether are payment tokens) and utility tokens. Payment tokens do not include utility tokens which are used to access a good or service offered by the token issuer only. Further, in the Digital Token Guide, Case Study 1 mentioned that a token which is accepted only on a native platform and is not or is not intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt, would not be considered to be a payment token under the PS Act.
- 46.** As such, most "stablecoins", such as USDT, USDC and GUSD would constitute "e-money" under the PS Act. These are denominated/pegged in USD, are paid for in advance, are accepted by a variety of vendors as payment for goods or services, and represent a claim on the underlying USD value.

47. HSF is primarily used as the native token on the Hillstone Finance platform as a medium of exchange for purchase of various products and services, for example to pay for units or to purchase information.
48. HSF is not denominated or pegged to any currency, is not paid for in advance to enable the making of payment transactions through the use of any payment account, and does not represent a claim against the issuer. This is in contrast to some of the other leading "stable tokens" in the industry, such as USDT.
49. In the Frequently Asked Questions (FAQs) on the Payment Services Act (updated 11 May 2020) (the **PS Act FAQs**), the MAS explained that one important distinction of "e-money" from digital payment tokens is the denomination / pegging aspect. Where the monetary value of the digital token cannot be determined without referring to some form of market mechanism, for example through the trading of the digital token on an exchange, then such digital token would not be viewed as "e-money".
50. Based on the foregoing, it does not appear that HSF would constitute "e-money" as there was no monies paid in advance to any issuer of HSF, and HSF not represent a claim for any value against any entity. It is indicated that HSF is not intended to be a representation of money or electronic money. There is no inherent "value" or guarantee of the monetary value of HSF, nor any kind of buyback or repurchase mechanism, so the only way to ascertain the price of the HSF would be the price that third parties would be willing to purchase it for on the secondary market. Further, HSF is non-refundable and cannot be exchanged for cash (or its equivalent value in any other virtual currency) or any payment obligation by the Company or any affiliate.
51. While it appears that HSF would satisfy many of the elements for being characterised as a "digital payment token", the critical issue is whether it is a "medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt". The term "section of the public" under the PS Act is a fact-sensitive determination, so a group of individuals with a subsisting relationship with the service provider, or a group of individuals selected because of rational characteristics common to them may not be regarded as a section of the public per se. This determination depends on factors such as size of the group, nature of the service offered, and the significance of the particular characteristic that is common. Generally, a group of individuals selected with a certain degree of indiscriminateness would likely be regarded as a section of the public. The PS Act FAQs has also provided an example where a token is accessible by individuals who do not subscribe to the services of the issuer, and is used by them as payment for goods and services that are not exclusively provided by the issuer, would be regarded as a medium of exchange accepted by a "section of the public".
52. Notwithstanding that HSF is "not intended to be a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt" outside the Hillstone Finance platform, we understand that it is freely tradeable on various virtual currency exchanges, and may be exchanged and accessed in a peer-to-peer manner by users. HSF is not restricted to users of the Hillstone Finance platform, and it does not appear that holders of HSF may be characterised by any rational characteristics common to them.
53. Further, it is important to note that where HSF is used for payment of purchases, these may not be paid to the issuer, but may be paid to any user on the platform which has listed their project. Once acquired by any party (via a secondary exchange or otherwise), SHO may be used by the holder to pay for any product or service offered by a third party who is unrelated to the issuer. This is quite distinct from the example raised at Case Study 1 of the Guide to Digital Token Offerings, which indicates that utility tokens are used to access a good or service offered by the token issuer only.
54. In such situation, assuming that the MAS accepts our finding (for the reasons set out at paragraphs 52 and 53 above) that HSF is indeed a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt, our

conclusion would then accordingly be that HSF constitutes a "digital payment token" under the PS Act.

Other considerations

- 55.** The MAS has indicated that whilst certain digital tokens may not be within the regulatory purview of the MAS, the issuance of such tokens may nonetheless be subject to other legislation regarding anti-money laundering (AML) and counter-terrorism financing (CTF), and in particular the following:
- 55.1 obligations to report suspicious transactions with the Suspicious Transaction Reporting Office, Commercial Affairs Department of the Singapore Police Force pursuant to the provisions of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Chapter 65A of Singapore); and
 - 55.2 prohibitions from dealing with or providing financial services to designated individuals and entities pursuant to the Terrorism (Suppression of Financing) Act (Chapter 325 of Singapore), as well as various regulations giving effect to United Nations Security Council Resolutions.
- 56.** Do note that the aforesaid measures and guidelines are not exhaustive. The Company should refer to other relevant MAS Notices and Guidelines to ensure compliance with AML/CTF measures as appropriate.

Annex C
Documents



HILLSTONE

HILLSTONE DEFI

Maximum investment opportunities in De-Fi platform



HILLSTONE

White Paper

Hillstone ; The Revolution of Finance

EN

1. DISCLAIMER

2. BACKGROUND

2-1. Venture Capital

2-2. Limitations of Venture Capital Institution

2-3. Problems of Foreign Exchange Remittance

2-4. Problems of Overseas Investment Methods

2-5. Personal Crowdfunding

2-6. Restrictions of Crowdfunding

2-7. Start of DeFi (Decentralized Finance)

2-8. Advantages of DeFi (Decentralized Finance)

2-9. DeFi (Decentralized Finance) Services

2-10. Application of DeFi in the investment field

3. HILLSTONE TOKEN

3-1. About Hillstone

3-2. Hillstone Protocol

3-3. Technical Architecture

3-4. Legal Status of HSF

3-5. Token Allocation.

4. Road Map

5. Team

DISCLAIMER

PLEASE READ THE ENTIRETY OF THIS "DISCLAIMER" SECTION CAREFULLY. NOTHING HEREIN CONSTITUTES LEGAL, FINANCIAL, BUSINESS OR TAX ADVICE AND YOU SHOULD CONSULT YOUR OWN LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISOR(S) BEFORE ENGAGING IN ANY ACTIVITY IN CONNECTION HEREWITH. NEITHER HILLSTONE GLOBAL LIMITED (THE **COMPANY**), ANY OF THE PROJECT TEAM MEMBERS (THE **HILLSTONE FINANCE TEAM**) WHO HAVE WORKED ON THE HILLSTONE FINANCE PLATFORM (AS DEFINED HEREIN) OR PROJECT TO DEVELOP THE HILLSTONE FINANCE PLATFORM IN ANY WAY WHATSOEVER, ANY DISTRIBUTOR/VENDOR OF HSF TOKENS (THE DISTRIBUTOR), NOR ANY SERVICE PROVIDER SHALL BE LIABLE FOR ANY KIND OF DIRECT OR INDIRECT DAMAGE OR LOSS WHATSOEVER WHICH YOU MAY SUFFER IN CONNECTION WITH ACCESSING THIS WHITEPAPER, THE PROJECT WEBSITE (THE **WEBSITE**) OR ANY OTHER WEBSITES OR MATERIALS PUBLISHED BY THE COMPANY.

Project purpose: You agree that you are acquiring HSF to participate in the Hillstone Finance platform and to obtain services on the ecosystem thereon. The Company, the Distributor and their respective affiliates would develop and contribute to the underlying source code for the Hillstone Finance platform. The Company is acting solely as an arms' length third party in relation to the HSF distribution, and not in the capacity as a financial advisor or fiduciary of any person with regard to the distribution of HSF.

Nature of the Whitepaper: The Whitepaper and the Website are intended for general informational purposes only and do not constitute a prospectus, an offer document, an offer of securities, a solicitation for investment, or any offer to sell any product, item or asset (whether digital or otherwise). The information herein may not be exhaustive and does not imply any element of a contractual relationship. There is no assurance as to the accuracy or completeness of such information and no representation, warranty or undertaking is or purported to be provided as to the accuracy or completeness of such information. Where the Whitepaper or the Website includes information that has been obtained from third party sources, the Company, the Distributor, their respective affiliates and/or the Hillstone Finance team have not independently verified the accuracy or completeness of such information. Further, you acknowledge that circumstances may change and that the Whitepaper or the Website may become outdated as a result; and neither the Company nor the Distributor is under any obligation to update or correct this document in connection therewith.

Token Documentation: Nothing in the Whitepaper or the Website constitutes any offer by the Company, the Distributor or the Hillstone Finance team to sell any HSF (as defined herein) nor shall it or any part of it nor the fact of its presentation form the basis of, or be relied upon in connection with, any contract or investment decision. Nothing contained in the Whitepaper or the Website is or may be relied upon as a promise, representation or undertaking as to the future performance of the Hillstone Finance platform. The agreement between the Distributor (or any third party) and you, in relation to any distribution or transfer of HSF, is to be governed only by the separate terms and conditions of such agreement.

The information set out in the Whitepaper and the Website is for community discussion only and is not legally binding. No person is bound to enter into any contract or binding legal commitment in relation to the acquisition of HSF, and no digital asset or other form of payment is to be accepted on the basis of the Whitepaper or the Website. The agreement for distribution of HSF and/or continued holding of HSF shall be governed by a separate set of Terms and Conditions or Token Distribution Agreement (as the case may be) setting out the terms of such distribution and/or continued holding of HSF (the Terms and Conditions), which shall be separately provided to you or made available on the Website. The Terms and Conditions must be read together with the Whitepaper. In the event of any inconsistencies between the Terms and Conditions and the Whitepaper or the Website, the Terms and Conditions shall prevail.

Deemed Representations and Warranties: By accessing the Whitepaper or the Website (or any part thereof), you shall be deemed to represent and warrant to the Company, the Distributor, their respective affiliates, and the Hillstone Finance team as follows:

- (a) in any decision to acquire any HSF, you shall not rely on any statement set out in the Whitepaper or the Website;
- (b) you will and shall at your own expense ensure compliance with all laws, regulatory requirements and restrictions applicable to you (as the case may be);
- (c) you acknowledge, understand and agree that HSF may have no value, there is no guarantee or representation of value or liquidity for HSF, and HSF is not an investment product nor is it intended for any

speculative investment whatsoever;

- (d) none of the Company, the Distributor, their respective affiliates, and/or the Hillstone Finance team members shall be responsible for or liable for the value of HSF, the transferability and/or liquidity of HSF and/or the availability of any market for HSF through third parties or otherwise; and
- (e) you acknowledge, understand and agree that you are not eligible to participate in the distribution of HSF if you are a citizen, national, resident (tax or otherwise), domiciliary and/or green card holder of a geographic area or country (i) where it is likely that the distribution of HSF would be construed as the sale of a security (howsoever named), financial service or investment product and/or (ii) where participation in token distributions is prohibited by applicable law, decree, regulation, treaty, or administrative act (including without limitation the United States of America and the People's Republic of China); and to this effect you agree to provide all such identity verification document when requested in order for the relevant checks to be carried out.

The Company, the Distributor and the Hillstone Finance team do not and do not purport to make, and hereby disclaims, all representations, warranties or undertaking to any entity or person (including without limitation warranties as to the accuracy, completeness, timeliness or reliability of the contents of the Whitepaper or the Website, or any other materials published by the Company or the Distributor). To the maximum extent permitted by law, the Company, the Distributor, their respective affiliates and service providers shall not be liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including, without limitation, any liability arising from default or negligence on the part of any of them, or any loss of revenue, income or profits, and loss of use or data) arising from the use of the Whitepaper or the Website, or any other materials published, or its contents (including without limitation any errors or omissions) or otherwise arising in connection with the same. Prospective acquirors of HSF should carefully consider and evaluate all risks and uncertainties (including financial and legal risks and uncertainties) associated with the distribution of HSF, the Company, the Distributor and the Hillstone Finance team.

Informational purposes only: The information set out herein is only conceptual, and describes the future development goals for the Hillstone Finance platform to be developed. In particular, the project roadmap in the Whitepaper is being shared in order to outline some of the plans of the Hillstone Finance team, and is provided solely for **INFORMATIONAL PURPOSES** and does not constitute any binding commitment. Please do not rely on this information in deciding whether to participate in the token distribution because ultimately, the development, release, and timing of any products, features or functionality remains at the sole discretion of the Company, the Distributor or their respective affiliates, and is subject to change. Further, the Whitepaper or the Website may be amended or replaced from time to time. There are no obligations to update the Whitepaper or the Website, or to provide recipients with access to any information beyond what is provided herein.

Regulatory approval: No regulatory authority has examined or approved, whether formally or informally, of any of the information set out in the Whitepaper or the Website. No such action or assurance has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction. The publication, distribution or dissemination of the Whitepaper or the Website does not imply that the applicable laws, regulatory requirements or rules have been complied with.

Cautionary Note on forward-looking statements: All statements contained herein, statements made in press releases or in any place accessible by the public and oral statements that may be made by the Company, the Distributor and/or the Hillstone Finance team, may constitute forward-looking statements (including statements regarding intent, belief or current expectations with respect to market conditions, business strategy and plans, financial condition, specific provisions and risk management practices). You are cautioned not to place undue reliance on these forward-looking statements given that these statements involve known and unknown risks, uncertainties and other factors that may cause the actual future results to be materially different from that described by such forward-looking statements, and no independent third party has reviewed the reasonableness of any such statements or assumptions. These forward-looking statements are applicable only as of the date indicated in the Whitepaper, and the Company, the Distributor as well as the Hillstone Finance team expressly disclaim any responsibility (whether express or implied) to release any revisions to these forward-looking statements to reflect events after such date.

References to companies and platforms: The use of any company and/or platform names or trademarks herein (save for those which relate to the Company, the Distributor or their respective affiliates) does not imply any affiliation with, or endorsement by, any third party. References in the Whitepaper or the Website to specific companies and platforms are for illustrative purposes only.

English language: The Whitepaper and the Website may be translated into a language other than English for reference purpose only and in the event of conflict or ambiguity between the English language version and translated versions of the Whitepaper or the Website, the English language versions shall prevail. You

acknowledge that you have read and understood the English language version of the Whitepaper and the Website.

No Distribution: No part of the Whitepaper or the Website is to be copied, reproduced, distributed or disseminated in any way without the prior written consent of the Company or the Distributor. By attending any presentation on this Whitepaper or by accepting any hard or soft copy of the Whitepaper, you agree to be bound by the foregoing limitations.



VENTURE INVESTMENT

Traditional Investment

Venture Capital

Venture capital companies are specialized investment companies that provide funds in the form of investment for emerging companies with high growth potential or new companies showing high growth.

The modern venture capital company originates from ARDC (American Research and Development Corporation), by raising funds from institutional investors. It is founded in 1946 by George F. Doriot of Harvard University, to commercialize MIT's research results. Early investments such as ARDC have achieved considerable success. As a result, existing financial institutions and emerging capital have entered the field of venture capital and have grown stronger.

Generally there are two types of venture capital. One is done through venture capital institutions, and the other is done through personal crowdfunding.

How Venture Capital Works

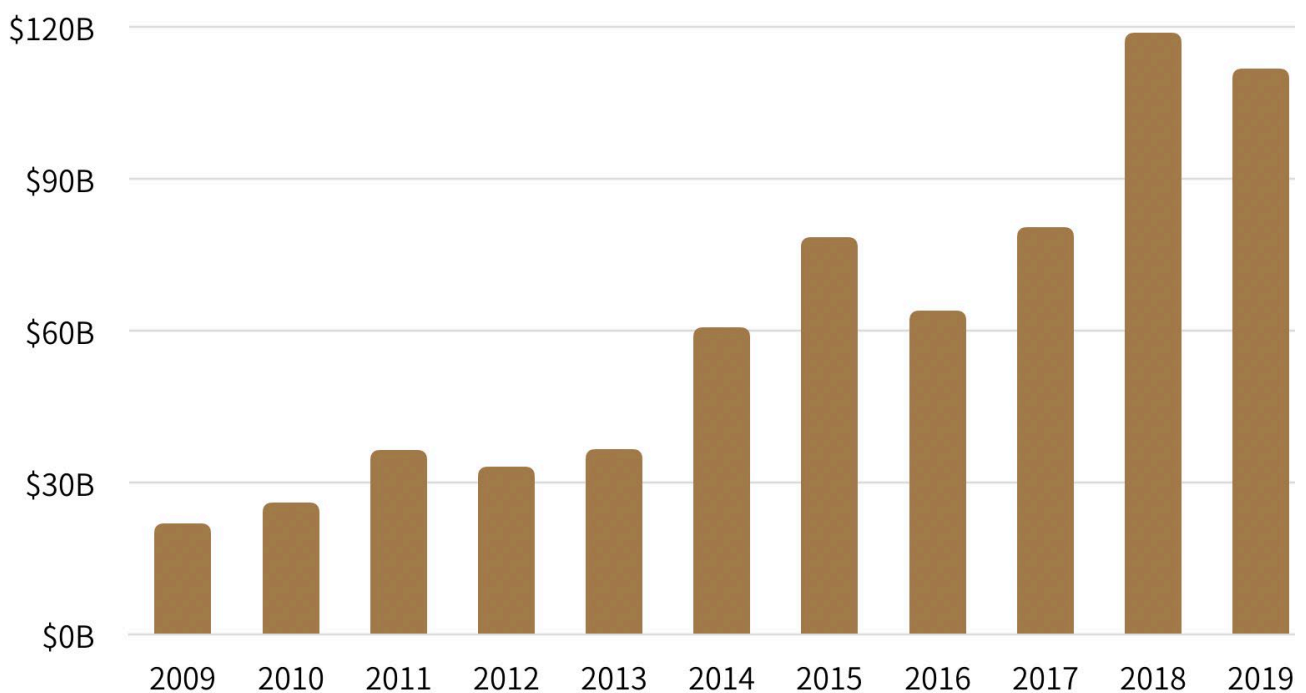
Traditional Investment

▶ Venture Capital

Venture capital institutions make investments in early stages when the company's capital and operating capabilities are weak. They develop and grow the company by providing comprehensive support such as capital, operation management, and technical guidance, and then recover the investment capital through different methods such as IPO and M&A.

In the past 10 years, the amount of investment and contracting of venture capital companies targeting early-stage companies has continued to grow. The amount of venture capital in the United States reached \$118 billion in 2018, setting a new record for the highest amount in history. This far exceeded the \$105 billion during the Internet bubble, and increased by 36% compared to the previous year. In addition, the compound annual growth rate (CAGR) of the international venture capital investment market has reached 27%, which shows that the growth trend is happening not only in the United States, but also in the whole world.

Total U.S. Venture Capital Investments

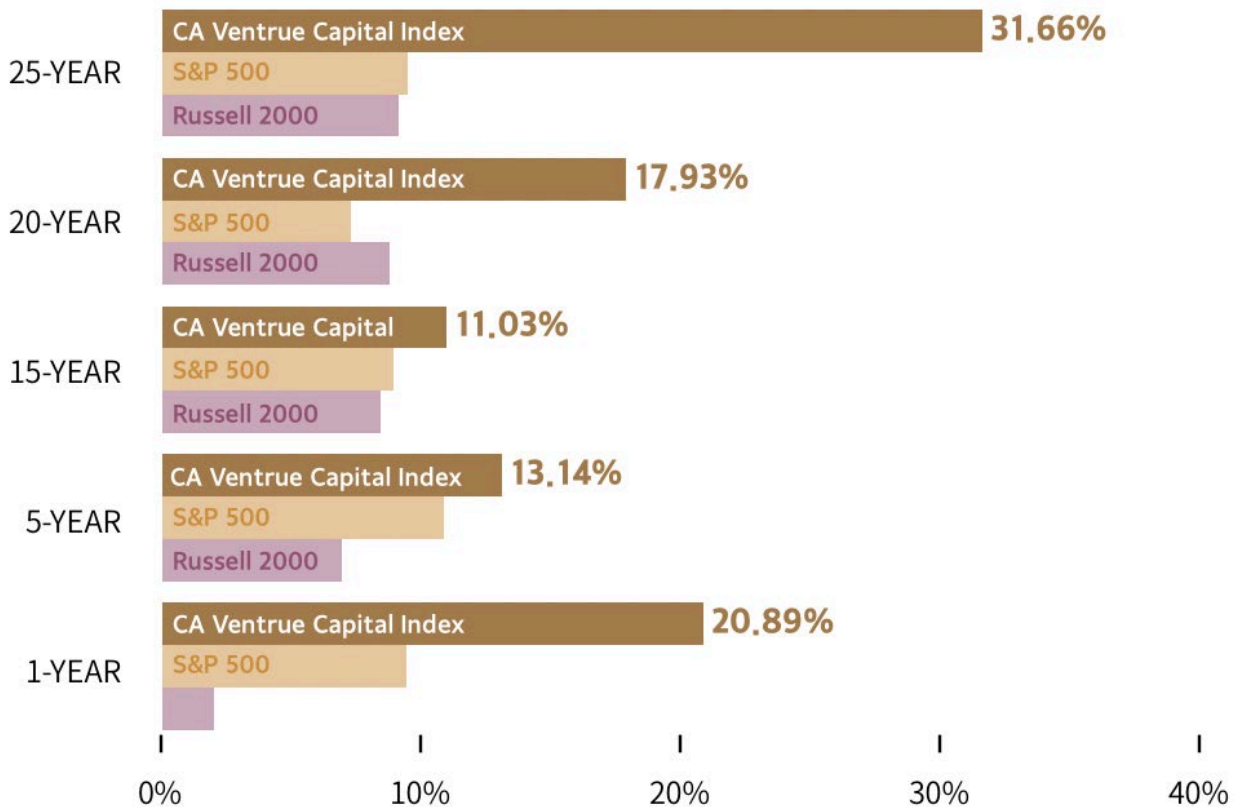


Traditional Investment

Venture Capital

The characteristic of venture capital is that it has a low success rate but very high return on investment. Normally the success rate of the investment is less than 20%, but the rate of return is twice the average growth rate of existing public security market indexes such as S&P 500 or Russell 2000. Such venture capital companies generally obtain investment from professional investors or state-led FOF, so it is very difficult for individuals to participate in it. Generally, professional investors and individual investors are distinguished by the minimum investment amount. The minimum investment amount ranges from 100,000 USD to 10,000,000 USD.

Private Investment Performances Between Fund Indices



Traditional Investment

Limitations of Venture Capital Institutions

First of all, it is surprising that venture capital companies also have funding-related issues. Because it is difficult for venture capital companies to find limited partners who invest in the fund. If it is a venture capital company that has a stable investment record and invests in a well-known high-potential market, many companies may be willing to participate as an LP. However, if you want to set up a professional venture capital company to invest in a market that requires a professional perspective, investors may not easily make up their mind to participate. Because LPs tend to pursue stable returns, it may be difficult for new venture capital institutions to invest in hidden high-potential markets.

In addition, venture capital companies can liquidate company equity through financial institutions or professional investors, and recover funds through IPO and M&A. But for ordinary investors, even if they obtain shares in venture companies through crowdfunding, there is almost no way to liquidate the shares. In order to solve such problems, it is necessary to build an infrastructure for the recovery of investment capital like an over-the-counter market for non-listed company stock trading.

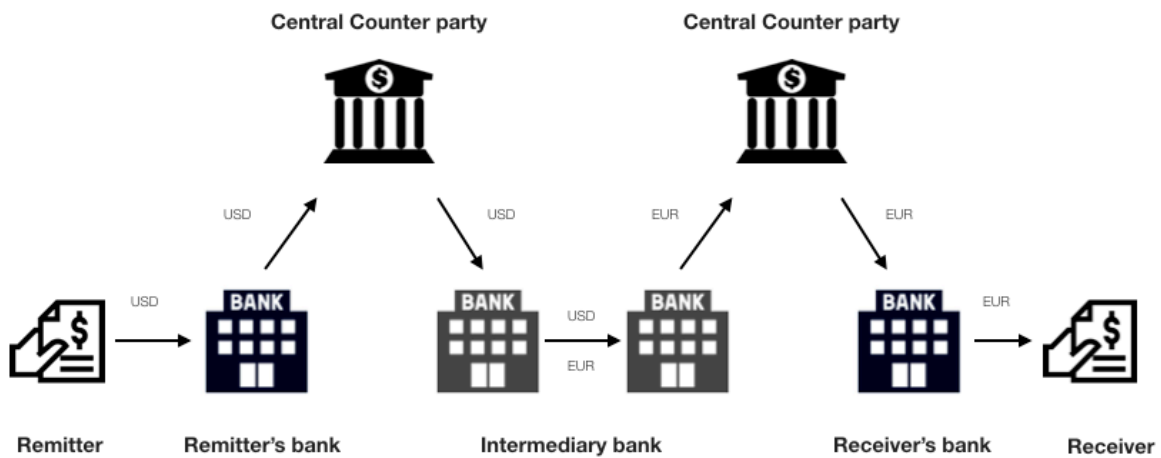
Venture capital investments not only happen in domestic markets. There are many international investments, and international investments require large-scale fund remittances. Large-scale fund remittances through banks have brought great difficulties due to exchange rate issues, commission fees, and a large number of documents required for remittances. In most cases, international remittances need to go through multiple banks. It takes at least 2 days, and in some cases more than 10 days. This is a great burden for both the invested company and the investing fund, and it also adds barriers to entry for international investment.

Traditional Investment

Problems of Foreign Exchange Remittance

The Society for Worldwide Interbank Financial Telecommunications (SWIFT) used by the existing foreign exchange remittance system started in 1972 and is now used by most banks. More than 11,000 companies in more than 250 countries joined SWIFT as members, and the global remittance market related to this has reached approximately \$3 trillion.

The existing SWIFT transmission method completes the foreign exchange remittance business through a total of 6 stages in the following way.



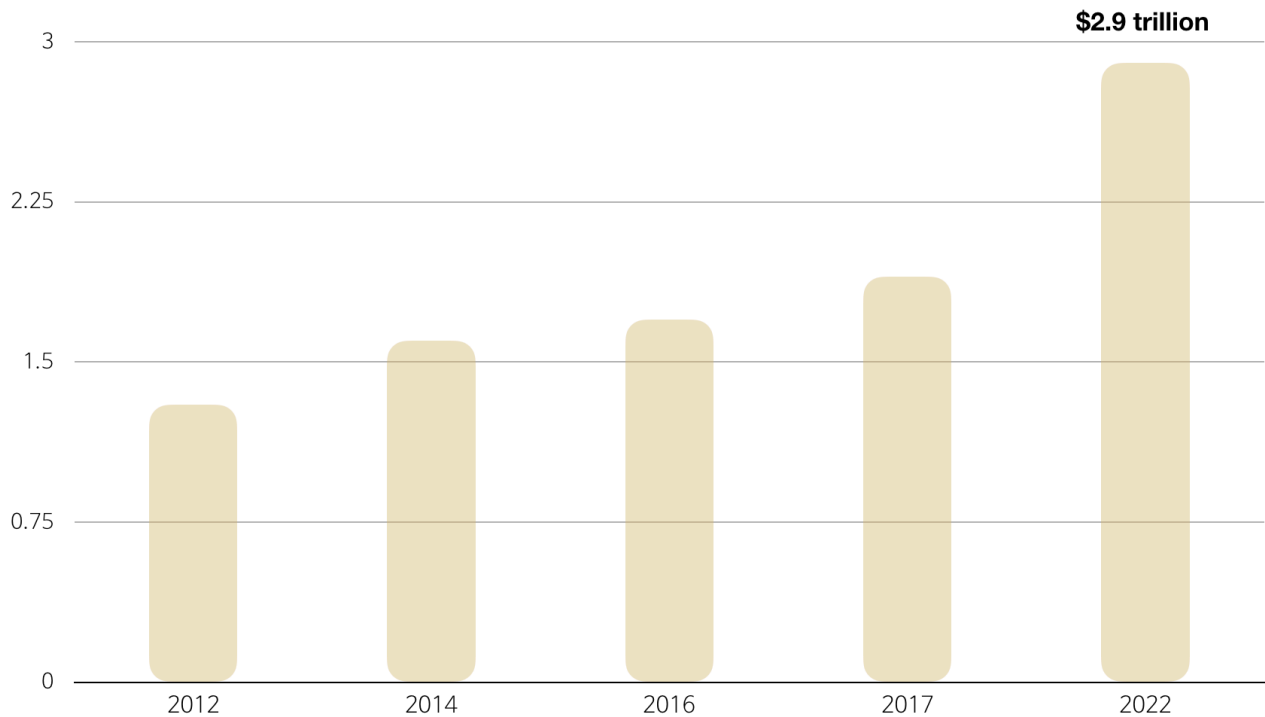
Remitter-Remitter's Bank-Remitter's Bank Agent-Recipient's Bank Agent-Recipient's Bank-Recipient

This method of transmission cannot be directly processed by all banks (Straight Through Processing, STP), so this structure leads to the involvement of many banks in the entire process. Such bank payment methods will eventually waste the time of users and remitters and create a burden of high commission fees. Recently, many banks have cooperated with international remittance companies to provide services in order to reduce commission fees. However, this method uses SWIFT Code and faces restrictions in reducing handling fees. In addition, it is difficult for existing banks using SWIFT for foreign exchange remittance to confirm in real time when and through which bank the remittance is being made.

Traditional Investment

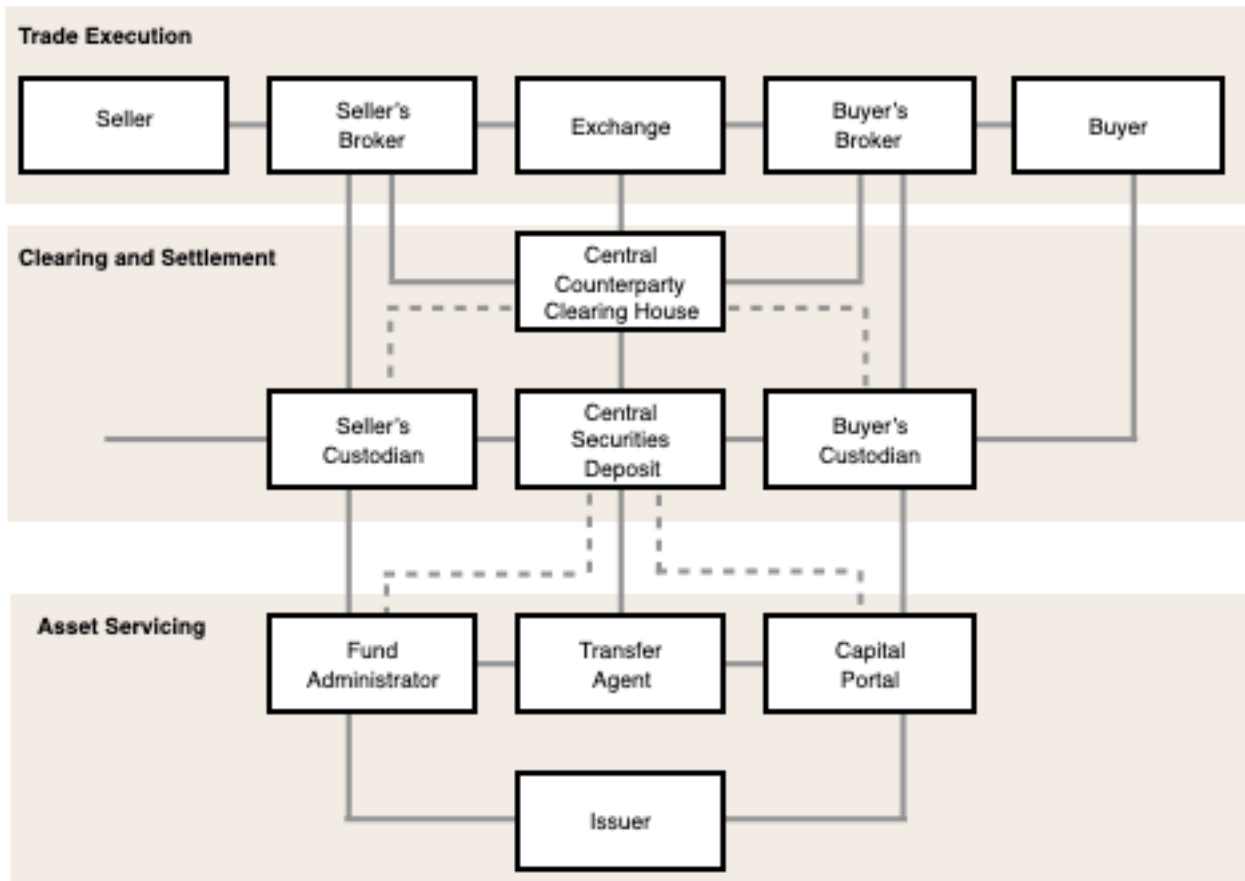
► Problems of Foreign Exchange Remittance

Global Remittance Market Breadth (\$T)



- **SWIFT** : Society for Worldwide Interbank Financial Telecommunications. A non-profit organization founded by major banks in Europe and North America in March 1973, headquartered in Brussels. The main banks of various countries are gathered to form a computer network, and the goal is to exchange data communications about payment and remittance operations between banks. In May 1977, some parts of Europe began to use the system.

Traditional Investment



Problems of Overseas Investment Methods

Overseas investors face the burden of tax declaration requirements. There are strict regulations restricting the types of investments that investors in various countries can have. For example, some of the most common investment products in the UK are subject to strict taxes by the US authorities. In order not to be levied high fees, Americans abroad need to obtain investment advice from tax experts.

The new FATCA law that took effect in July 2014 obligates U.S. banks and financial companies to report details of U.S. customers to the US Internal Revenue Service. Although Americans have more bank investment options than four years ago, their choices are still relatively limited.

Traditional Investment

Problems of Overseas Investment Methods

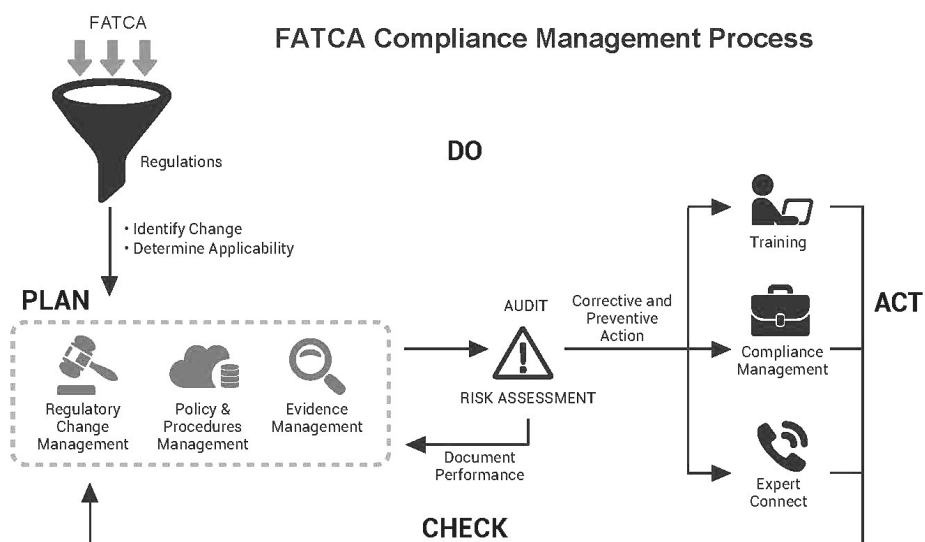
The Foreign Account Tax Compliance Act (FATCA) was enacted into law by President Obama in 2010 and was formally implemented in 2014.

According to FATCA, banks outside the United States and "foreign financial institutions" are obliged to report to the IRS the intergovernmental agreements signed by the governments of various jurisdictions where the financial institutions are located and the assets held by US customers in accordance with the requirements of the US government.

Companies that fail to comply with this requirement will be subject to potentially significant penalties. Therefore, some companies believe that it is more efficient to avoid the expensive costs of complying with the regulations instead of having US customers. Especially countries like the United Kingdom, as the center of many international finance companies, are dealing with FATCA seriously.

The internal income service rules of PFICs require a distinction between investments in operating businesses and investments with passive income flows. There are two types of tests that a suitable investment must pass: "income check" and "asset check".

The definition of passive income is more complicated. Dividends and interests of an enterprise can be regarded as passive income, but such dividends and interests will vary according to the nature of the enterprise. Unfortunately, if this kind of stock is merged into a popular unit trust or other investment portfolio managed by British asset managers, it is likely to fail, so it is regarded as PFIC and becomes a potential higher tax target.



Traditional Investment

▶ Personal Crowdfunding

In order to solve the high investment threshold, equity investment crowdfunding came into being.

Crowdfunding refers to the act of raising funds from non-designated people on the Internet by a collection of individual proprietorship enterprises or individuals for the purpose of raising funds for their business, without going through financial institutions.

Crowdfunding is divided into donation type, credit type, compensation type, equity investment type, etc. according to different investment forms and purposes. The donation type is a type that does not take compensation as a prerequisite but only for the purpose of donation. The credit type provides funds to individuals or individual operators through Internet microfinance for the purpose of collecting interest. The form of compensation crowdfunding is that many funders invest funds in projects promoted by fundraisers, and funders are compensated in other ways than monetary compensation. This method is mainly used in performances, music, movies, education, environment and other fields to raise funds. Equity investment crowdfunding is similar to venture capital companies, in which funds are given to emerging companies and small capital entrepreneurs in the form of investment, with the purpose of obtaining income from shares equivalent to the investment amount.

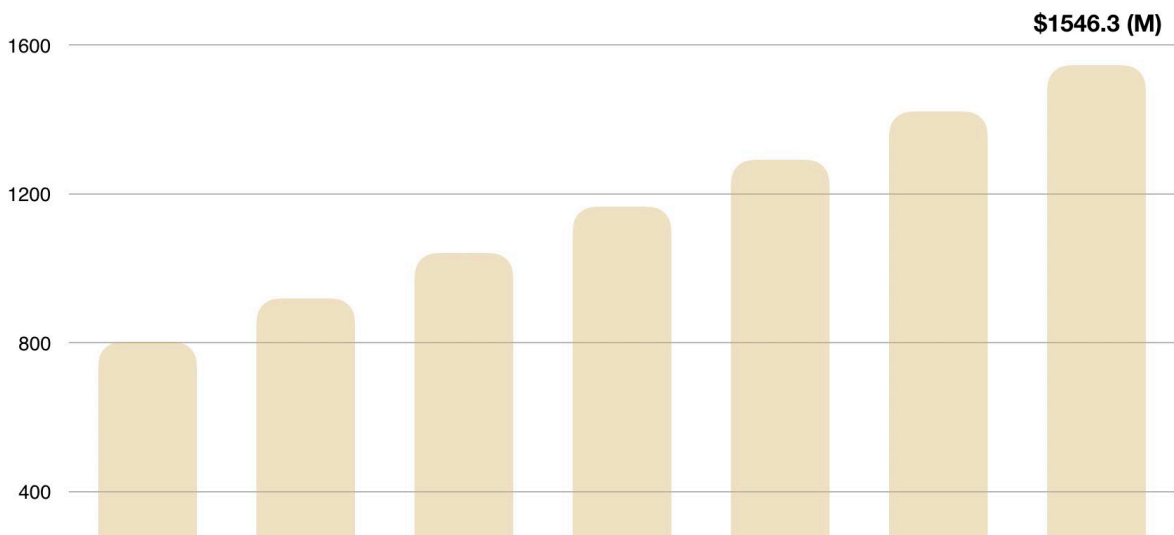
With the activeness of equity investment crowdfunding, not only a few professional investors, but many general investors can also invest in venture companies.

The earliest equity investment crowdfunding platform was ASSOBS (Australian Small Scale Offerings Board) of Australia in 2007. ASSOBS targets 176 companies with a financing amount of more than 150 million US dollars. At the end of 2017, 78% of investment companies were trading profitably.

Traditional Investment

Restrictions of Crowdfunding

Although crowdfunding is developing rapidly in scale, some people have raised concerns that its content is developing in the wrong direction. Entities that provide donation-type crowdfunding services are actually also providing credit-type crowdfunding services, and their interest rates are higher than the country's normal interest rates. In fact, crowdfunding was indeed modified too much, and it has broken away from the way Grameen Bank used to be. Even in crowdfunding, it is difficult to expect microfinance of unsecured low-interest financing.



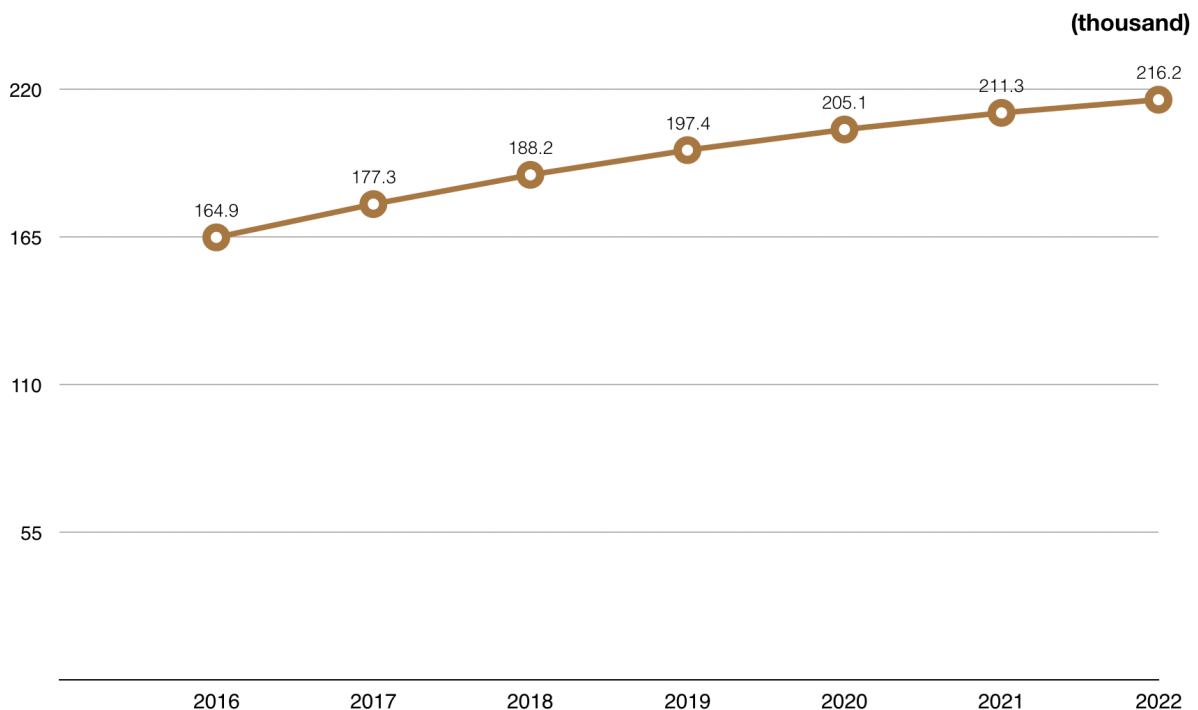
- Crowdfunding transactions in the U.S. are estimated to be worth \$1.04 billion in 2018, and the average annual growth rate from 2018 to 2022 is forecasted to be 10.4%, and is expected to reach \$1.55 billion in 2022. (Source: statista, December 2017)

Traditional Investment

Restrictions of Crowdfunding

Due to public offering regulations or investor regulations in the current law, there are various problems with equity investment crowdfunding.

For example, we have a strict evaluation system for personal credit, but corporate credit information is difficult to know. By simply relying on the content of public announcements at the time of fundraising, investors cannot judge all the information of the company. This forces investors to bear the risks of the invested company. It is almost impossible for investors to judge the risks of invested companies and screen them.



- The number of Crowdfunding in the United States is estimated to be 188,000 in 2018, and the predicted average annual growth rate from 2018 to 2022 is 3.5%, and it is expected to reach 216,000 in 2022 (Source: statista, December 2017)

Decentralized Finance

Start of DeFi (Decentralized Finance)

What are the advantages of DeFi compared to traditional financial services?

1. The change of credit relationship: Since the protocol that Defi relies on is a protocol developed entirely based on the blockchain, it can follow the highly transparent and non-tamperable characteristics of the blockchain technology itself. Anyone can see the specific conditions of these agreements and the flow of its funds. You can clearly know that the agreement cannot be modified at will.
2. Low transaction costs: As DeFi can realize peer-to-peer financial transactions, its transaction costs will drop significantly. In traditional finance, the big problem of financial infrastructure is that when we are going to do an operation, the transaction threshold and transaction cost are too high. Many banks have to wait for more than three days to open an account. This is a very obvious transaction cost for the entire investment. In addition, handling fee issues have been greatly improved in the Defi world.

Comparison of traditional finance, FinTech, and DeFi

	Traditional Finance	Fintech	DeFi
Currency Issuer	Country		Smart contracts or blockchain regulations
Investment Method	Stocks, bonds, etc.	P2P credit, small-scale collective fundraising, etc.	Decentralized credit, asset investment, etc.
Asset Transaction	Stock Exchange		Decentralized exchange
Main Intermediary	Financial Intermediaries	FinTech Entities	Smart contract regulations

Sources : NextFinance, SK Securities

Decentralized Finance

➤ Advantages of DeFi (Decentralized Finance)

The third point is efficiency. Traditional finance has many intermediaries in most fields, and the systems and responsible agencies of various countries are different. High commission fees and slow progress of financial services often occur. The basis for providing DeFi financial services is unified into Smart Contracts and the cryptocurrency used above, with low commission fees and faster speeds.

For example, it usually takes 3 days to more than 1 week to obtain a secured loan or overseas remittance through a bank. Banks also require many document procedures in the provision of services. On the contrary, the DeFi service only requires depositing the collateral in the loan smart contract, and the loan can be made immediately. As long as the recipient's wallet address is known, the money can be sent within 10 minutes.

Because of these advantages, the market's attention to DeFi has risen rapidly. Currently, DeFi's Total Locked Value (TVL) is close to \$10.89 billion. Considering that the scale at the end of 2019 is approximately \$600 million, this is a growth trend worth paying attention to.

DeFi Market Total Locked Value Trend



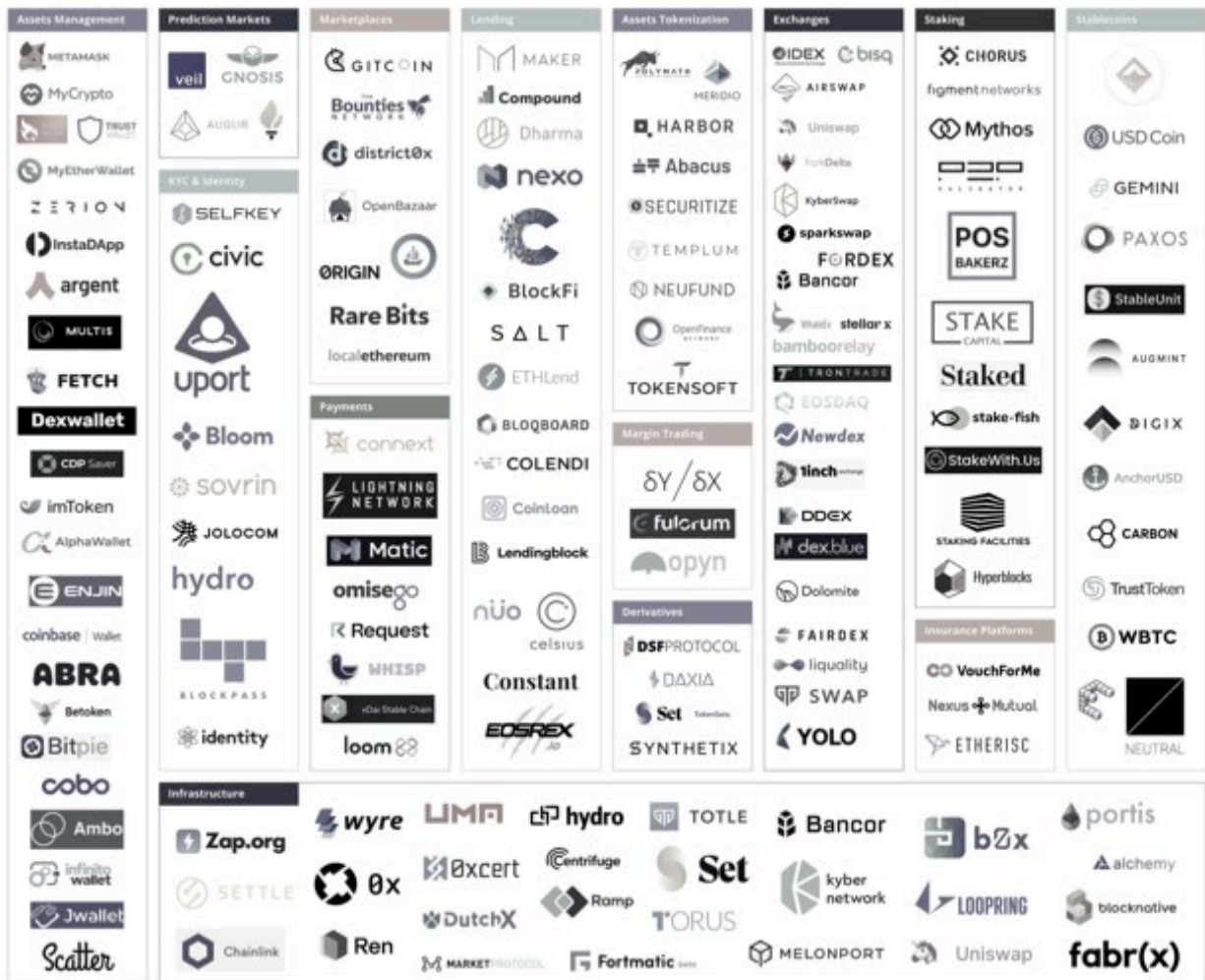
Sources : DeFi Pulse, Hillstone Foundation

Decentralized Finance

▶ DeFi (Decentralized Finance) Services

The earliest Decentralized Finance project is DAI of MakerDAO.

Today, the DeFi field has developed into a comprehensive field with diverse ecosystems such as lending, stable coins, DEX, derivatives, loans, and payment insurance services.



v.2 07-22-2019

자료: DeFi Prime, Hillstone Foundation

DeFi Ecosystem

Decentralized Finance

Application of DeFi in the investment field

Founded in 2014, MakerDAO is an automated mortgage loan platform on Ethereum, and it is also the provider of the stable currency Dai.



MakerDAO is a decentralized derivative financial system built on Ethereum. It uses a dual currency model, one is the stable currency Dai, and the other is the equity token and the managed token MKR. Maker is a smart contract system on Ethereum, providing the first decentralized basic stable currency Dai (which can be simply understood as the US dollar on Ethereum) and a derivative financial system. Dai is issued through full mortgage guarantee of digital assets. 1 Dai = 1 U.S. dollar.

Dai launched on the mainnet in December 2017, and Dai has always remained anchored to the US dollar.

Through the dual currency mechanism, MakerDAO enables the entire decentralized pledge loan system to operate. Cross-border transfers and supply chain finance will be a big application in Dai's connection to the real economy. Its creation method of over-collateralization on the chain provides the money market with liquidity that can be adjusted according to demand while eliminating the risk of "printing money out of thin air". There are sufficient assets behind the creation of every currency. At the same time, Maker has no counterparty risks and is subject to a sovereign policy. Dai is generated on-chain contracts, and there is no risk of centralized custody. Even the Maker development team cannot tamper with and transfer users' assets. This means that the Maker system needs perfect governance.

Whether it is MakerDAO or the entire DeFi industry, there is still a long way to go. To put it bluntly, they still need to prove the correctness of their blockchain direction in the next few years.

Decentralized Finance

Application of DeFi in the investment field

- CoinList

The most widely recognized investment and financing token sales platform in the blockchain industry.

At the beginning of its establishment, the platform brought AngelList's investment experience for many years, providing compliance services on the platform for selected projects, displayed due diligence content, and provided data and analysis tools so that the project party could understand the sales of the platform. Coin distribution after sales, transaction and wallet functions have also been updated multiple times.

Since the Filecoin project has raised more than 350 million US dollars in 4 years, Coinlist has become synonymous with compliance in the blockchain field. In the blockchain industry, standards for possible compliance have been established.

On the other hand, Coinlist's project display is not connected with the real world, and it is also a missed area.



COINLIST

Decentralized Finance

Application of DeFi in the investment field

- Republic

Republic is an equity crowdfunding investment and financing platform established within the US SEC regulatory system. The platform meets SEC regulatory requirements for users and financing projects. Compared to Coinlist, it is an extension of compliance. The platform also divides financing projects into traditional crowdfunding projects, real estate crowdfunding projects, game financing projects and digital currency financing projects. Fields involved include food and beverage, health care, housing and hotel management, TV and computer games and other. Corresponding to the US regulatory exemption bill, users are classified into different levels. In the platform, the financing needs and financing cycle of the company are displayed in detail, and the multi-dimensional project display allows users at different stages to have their own choices.



In the field of encrypted digital, Robinhood, the stock purchase software in the most eye-catching air-squeeze war of 2021, has also stood in the forefront. Robinhood is also one of many financing projects on the Republic platform. So far, Republic has reached the financing needs of 250+ companies, with a financing amount of more than 150 million US dollars.

For a very complete equity crowdfunding platform, Republic followed the over-centralized platform mechanism in the world of traditional finance and failed to truly become a financing platform for the blockchain industry.

Decentralized Finance

Application of DeFi in the investment field

- Grayscale

Due to the relatively complex regulatory environment for cryptocurrencies, imperfect infrastructure and high risks, most institutional investors in traditional financial markets cannot directly invest in cryptocurrencies through exchanges. Institutions' demand for "safe" investment in cryptocurrency has spawned a "compliance" platform that caters to traditional regulatory requirements-Grayscale. GBTC will basically open private placements to qualified investors and institutional users in the primary market quarterly, allowing them to deposit funds into the trust in the form of cash or BTC (minimum amount of US\$50,000).

Grayscale Bitcoin Trust accepts two forms of capital contribution, namely cash contribution and in-kind contribution (BTC).

In the mode of BTC's in-kind contribution, when investors submit the purchase documents, they will send the physical objects to the address designated by Genesis instead of handing them to Grayscale. Grayscale only accepts bitcoins handed over by Genesis and deposits them in Coinbase. In the cash contribution model, investors directly hand over cash to Genesis, and Genesis will trade on the market.

The most unfriendly aspect of Grayscale for ordinary users is that the investment threshold is too high and the initial investment amount is too high, making it impossible to achieve the inclusiveness of decentralized finance.





HILLSTONE TOKEN

About Hillstone

Hillstone Partners Introduction

Hillstone Partners is a company composed of employees from Korea M&A Co., Ltd., the first professional M&A company in Korea. It exerted a synergistic effect by leveraging the long-term experience of Korea M&A Co., Ltd. and a team of investment experts. Investment experts with more than 10 years of experience from Samsung Asset Management, Merrill Lynch, Barclays, Mirae Asset, Dashin Securities, KTB, etc. gathered together to form a professional investment company in 2010, and we have a professional and strong network especially in the fields of IT and clean tech. Aiming at main investment target regions of South Korea, China, Japan, etc., a PE fund portfolio is being established. Not only are we establishing a fund, we also aim to develop a platform to support other PE Funds and portfolios.



- 1995 Korea M&A, the first domestic M&A professional company, was established by the current KTB chairman Kwon Sungmoon.
- 1997 Direct acquisition of Junzi Industry, improvement of corporate structure
- 1999 Korea Comprehensive Technology Finance Co., Ltd. acquired and improved corporate structure
 - Investment and direct acquisition of Internet companies such as Auction and Job Korea
- 2001 Sale of Auction on E-Bay in the US (the first case of a domestic Internet company selling overseas)
- 2003 Development of new business areas and investment activities accelerated
- 2005 Sale of Job Korea to monster.com in the US and expansion of overseas network
- 2007 Expanded overseas direct investment in China/Vietnam and other places
 - Sale of Korean cable TV station to CJ (130 billion)
- 2010 Sold nDoors to Nexon and Nextplay to NC soft
- 2010 Created CGI Korea
- 2011 Advisor for the sale of Plasmart to MKS industry in the United States
- 2013 The company name was changed to Hillstone Partners and acquired South Korea M&A Co., Ltd.



INVESTMENT IN A NEW PARADIGM

With the focus on investment in global start-ups, we have the best expertise in consulting such as cross-boarder M&A, and in implementing investment in certain areas such as AI and blockchain.

About Hillstone



HillStone Development Path

Cumulative M&A 27 companies	<ul style="list-style-type: none"> • Founded in
Direct investment 11 companies	<ul style="list-style-type: none"> • Wisdom (game); Chess (game); SOO education (online content); MiraeAsset VC's agricultural financing; Turtle Books (online content); China CNK (online catalog); acquisition of assets of scandal Korean cosmetics; Norwegian Songa shoes Foreign fundraising; Pan and Evans; mobile factory; Purple Jade • Wales (Kospi) acquired KTB Networks ; · Wales (Kospi) acquired Korea Miracle Co., Ltd ; · Hansol Group acquired Hansol PNS Co., Ltd. (formerly Guan
Acquisition 3 companies	<ul style="list-style-type: none"> • Pans and Evans; · Flow factory; · Purple Jade • Hansol Group acquired Yongyoo Company.
Total Investment	<ul style="list-style-type: none"> • 65 billion (total) / 4 billion (after 2018) • Shinwon Group acquired Guangming Electric Co., Ltd.
Maximum Income	<ul style="list-style-type: none"> • 30 billion/after 2018 (not yet exited) • Pohang Savings Bank acquired Yongdeok Savings Bank;
Average Income	<ul style="list-style-type: none"> • An average of 22% per year/since 2018 (not yet exited) • Changning Savings Bank acquired Paradise Savings Bank; • KCC acquired Jinyang MoonMak factory assets; · Korea Tarp acquired South Korean KDK Company; · Dreamwiz.com acquired department of Indison. · Cexus Inc. acquired Enter One Co.(K • Merger of DaeKyung Env., DaeKyung Entech and DaeKyung • Lone Ventures acquires C&L Venture Capital. • Job Korea's acquisition of OAB. • Job South Korea acquired Humanpia Corporation. • Merger of Wow Book Company and Gold Book Company. • Saihan Information Technology Co., Ltd. acquired Dongseok • Hanbitnet acquired Jung&Lee Accounting Research Institute

About Hillstone

Set up a specialized blockchain fund in 2018



British Virgin Islands, BVI 2021594



180 Maiden Lane, New

힐스톤파트너스, 2000억 규모 글로벌 블록체인펀드 공동 조성

입력 2018.06.21 07:55 | 수정 2018.06.21 08:18

"ICO 검증시스템 바탕으로 공격적 투자 주도할 것"

23년 전통의 인수·합병(M&A) 전문회사 힐스톤파트너스가 블록체인과 암호화폐 공개(ICO) 스타트업에 투자하는 대규모 크립토 펀드 조성에 나선다.

크립토 펀드는 가상화폐(암호화폐)에 투자하는 전문 펀드다. 암호화폐나 암호화폐 파생상품에 분산 투자하는 것은 물론 블록체인 관련 기술을 가진 업체의 ICO에도 참여하는 등 여러 전략으로 투자 수익을 높이는 펀드를 말한다.

힐스톤파트너스는 지난 17일 중국의 대표 블록체인 펀드인 JLAB(지우당블록체인실험실) 캐피탈, 디지털 자산 투자은행 쿠뱅크(KooBank), 월스트리트 기반 투자회사 소호손(SOHOSON) 인베스트와 공동 펀드 조성을 위한 협약을 체결했다고 21일 밝혔다.



크립토펀드 공동 조성 협약을 맺은 힐리얼 힐스톤파트너스 대표(오른쪽)와 순찌엔 JLAB 대표 / 사진=힐스톤파트너스 제공

실시간 인기기사

- 1 "철밥통도 옛말"...공무원 합격 1년 만에 사표 던져...
- 2 배현진 "北열병식 중계에 내 눈 의심"...여기가 북조...
- 3 맛집 대기번호 1만번...코로나도 울고 갈 '中' 국경철...
- 4 "조만간 주인 없는 땅 속출할 것"...인구문제 전문가...
- 5 하루아침에 5억 집 잃었는데...울산 화재, 보험금...
- 6 청력이 안좋다면? 국가 지원받아 보청기 구매... [AD]
- 7 "주식", 안정적인 수익이 가능한 이유는? [AD]



나를 위한 완벽한 커피, 카페뮤제오

이른 아침, 완벽한 하루를 만들어주는 단 하나뿐인 커피! 카페뮤제오가 함께합니다. 카페뮤제오

About Hillstone

Missions of Hillstone Finance (decentralized finance)

- Lower the threshold for users, and you can participate with a minimum investment of 10\$.
- Provides a comprehensive platform service that allows users to obtain information on venture capital projects, interact with other users, and participate in these venture capital projects.
- Reduce the intermediate links between financing companies and investment users, and solve all needs in one stop on the platform.
- Reduce the financing cost of enterprises.
- Eliminate unnecessary geographic constraints on user interaction and participation.
- Reduce the risk of investment failure caused by information inequality.
- Build a comprehensive platform that connects the decentralized financial industry with the existing investment financial industry.

HILLSTONE Protocol



Investment Procedure and Details

Hillstone Investment and Financing Management Platform Flow Chart

Pre-Investment:

A company needs to raise 1 million US dollars, the financing period is 6 months, and the platform evaluates the expected return of 20%.

1. Enterprise A puts forward a financing requirement to Hillstone, and the Hillstone project review team conducts a rigorous review and completes multi-level investigations and studies, such as: Financial audit reports for the past 2 years, management team introduction, equity structure, organizational structure, prospectus, KPMG report, etc. to initiate Hillstone's financing project.
The platform develops a proposal for the financing scale, financing cycle, and financing method. For this service, Enterprise A would need to pay the Hillstone Finance platform a service fee in HSF.
2. The company pledges 10% of the company's equity in the financing platform in the form of smart contracts, and displays the target of corporate financing to users through the official website and wallet APP.
3. By paying HSF, users of the Hillstone Finance platform will be able to purchase information regarding listed enterprises, and access the results of review prepared by the project review team.
4. Holders of HSF would be entitled to join any exclusive networking circle for sharing of community information on the latest investments, gaining access to exclusive privileges in the ecosystem on the Hillstone Finance platform.
5. The Hillstone Finance platform will also distribute HSF rewards to users who share high quality information, news and/or research relating to new investments.

HILLSTONE Protocol



Investment Procedure and Details

Pre-closing:

1. A user will be able to purchase units in venture capital funds and acquire digital certificates (represented by secondary smart contracts distinct from HSF) with the platform currency, HSF.
2. If the raised funds do not hit certain targets set by the platform (e.g. 70% or 50%), all HSF paid to purchase the units will be refunded.

Post-closing:

1. The Hillstone Finance platform continuously updates corporate reports for users who have paid an initial HSF fee.
2. The Hillstone Finance platform would work closely with listed projects for enterprise, community and ecosystem development.
3. Upon redemption or withdrawal by users of any funds or secondary tokens/certificates from the platform, users will be charged a withdrawal fee paid in HSF.
4. Upon maturity of the listed product, the platform will release assets pledged by the project.

Technical Architecture

Platform Architecture

HSF Application Platform (hereinafter referred to as HAP) is a set of platforms that integrates decentralized delivery, centralized storage, and application management. It has high throughput, high availability, and financial-grade high security. The HAP Protocol is introduced below.

HAP contract working mode

Users use HSF to participate in projects listed on the platform. The optional investment projects are compliant investment projects (including but not limited to traditional industry shares, defi tokens and projects, and blockchain incubation project etc.) that are launched on HAP and certified and managed by investment institutions.

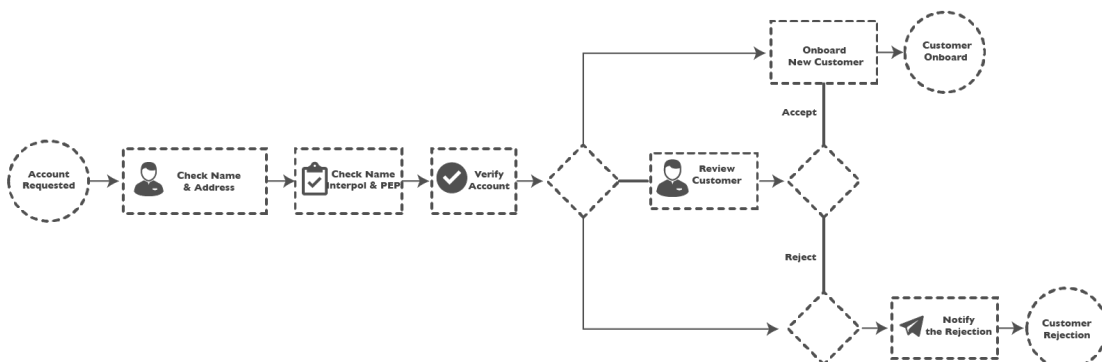
Technical Architecture

KYC / AML

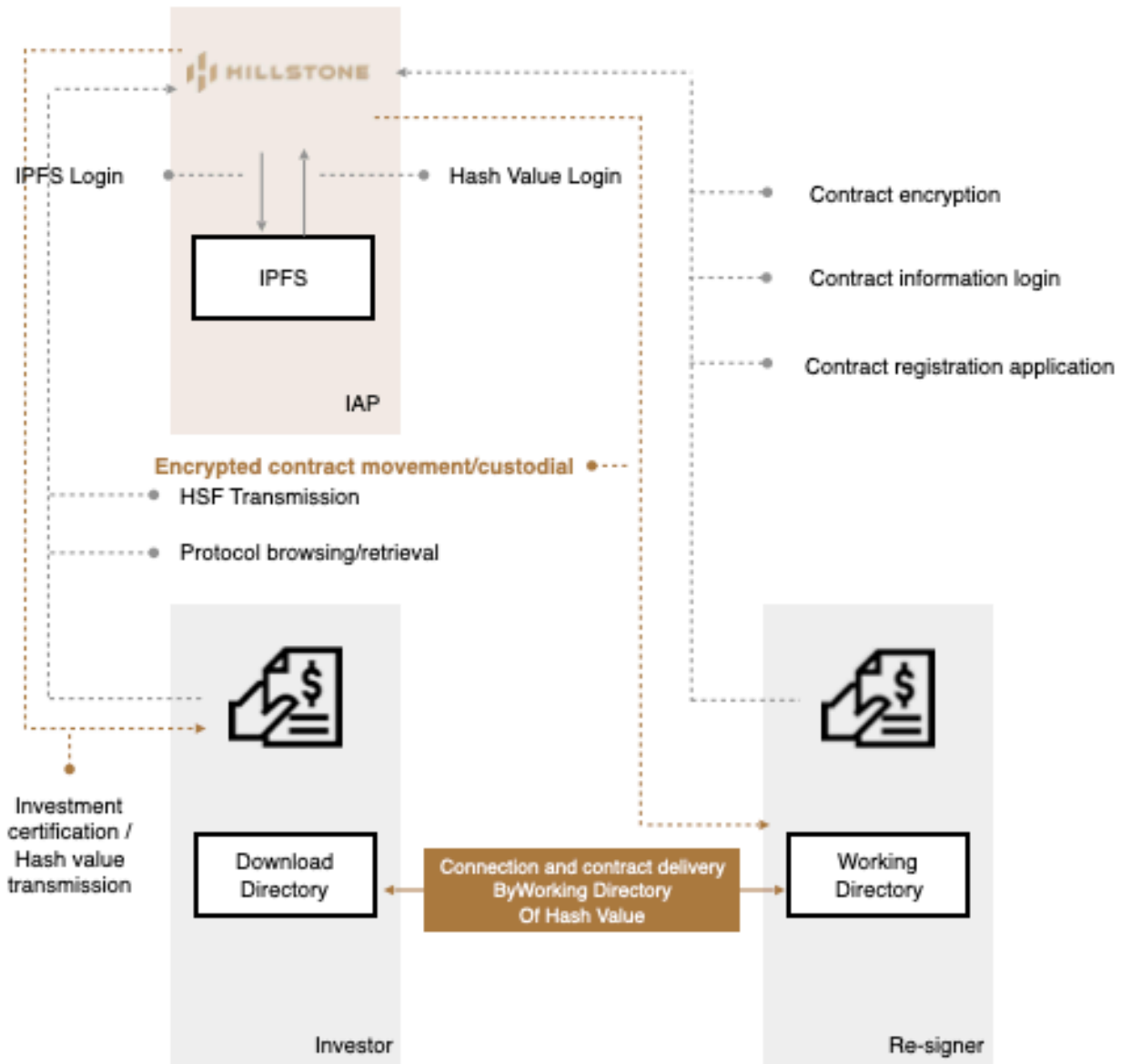
Investors in Hillstone Financial will be mainly individuals. Hillstone Financial usually applies KYC/AML procedures applicable to the exchange. For individual investors, the information we require is roughly as follows:

- Copy of passport or ID card
- Passport or ID card issuing country
- Investor's full name
- Investor's date of birth
- Investor's physical residence
- Information proving that the investor is the actual owner of the passport or ID card

The above information is used in order to make the investment product contract comply with the legal conditions of the investor's country, when in future the investors use Hillstone Financial Platform to purchase investment products. The investment product purchase contract consists of an electronic contract with legal effect. In the electronic contract, the investor, Hillstone Foundation and the trustworthy notary in Hillstone Finance Network respectively sign with a private key and they are recorded in the file in the form of a barcode or a QR code .



Technical Architecture



Investors Application Protocol (IAP)

Decentralized Finance

HSF Design Model

1. The native digital cryptographically-secured utility token of the Hillstone Finance platform (**HSF**) is a transferable representation of attributed functions specified in the protocol/code of the Hillstone Finance platform, which is designed to play a major role in the functioning of the ecosystem on the Hillstone Finance platform and intended to be used solely as the primary utility token on the platform.
2. As described herein, HSF is a non-refundable functional utility token which will be used as the medium of exchange between participants on the Hillstone Finance platform. The goal of introducing HSF is to provide a convenient and secure mode of payment and settlement between participants who interact within the ecosystem on the Hillstone Finance platform, and it is not, and not intended to be, a medium of exchange accepted by the public (or a section of the public) as payment for goods or services or for the discharge of a debt; nor is it designed or intended to be used by any person as payment for any goods or services whatsoever that are not exclusively provided by the issuer.
3. HSF does not in any way represent any shareholding, participation, right, title, or interest in the Company, the Distributor, their respective affiliates, or any other company, enterprise or undertaking, nor will HSF entitle token holders to any promise of fees, dividends, revenue, profits or investment returns, and are not intended to constitute securities in Singapore or any relevant jurisdiction. HSF may only be utilised on the Hillstone Finance platform, and ownership of HSF carries no rights, express or implied, other than the right to use HSF as a means to enable usage of and interaction within the Hillstone Finance platform.

HILLSTONE Protocol



Token Formula

1. The maximum amount of tokens which may be issued is 100 HSF.

HILLSTONE Protocol

Example

Where a project decides to list to raise an amount of 1 million US dollars worth of HSF (as converted based on prevailing market price), a smart contract projection containing the following information is generated

	Project Price	Detailed description
Invested Company Name	Corporation A	Investment target company name
Base price	1 \$	The fixed standard price per unit that may be purchased with HSF
Amount of funds raised	1, 000,000 \$	Investment target amount
Liquidation period	6 months	The profit realization cycle is 6 months
Benchmark interest rate	20%	The income rate is expected to reach 20%

through the Hillstone Finance platform.

Legal Status of HSF

1. It is highlighted that HSF: (a) does not have any tangible or physical manifestation, and does not have any intrinsic value (nor does any person make any representation or give any commitment as to its value); (b) is non-refundable and cannot be exchanged for cash (or its equivalent value in any other digital asset) or any payment obligation by the Company, the Distributor or any of their respective affiliates; (c) does not represent or confer on the token holder any right of any form with respect to the Company, the Distributor (or any of their respective affiliates), or its revenues or assets, including without limitation any right to receive future dividends, revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property or licence rights), right to receive accounts, financial statements or other financial data, the right to requisition or participate in shareholder meetings, the right to nominate a director, or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to the Hillstone Finance platform, the Company, the Distributor and/or their service providers; (d) is not intended to represent any rights under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss; (e) is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument, unit in a collective investment scheme or any other kind of financial instrument or investment; (f) is not a loan to the Company, the Distributor or any of their respective affiliates, is not intended to represent a debt owed by the Company, the Distributor or any of their respective affiliates, and there is no expectation of profit; and (g) does not provide the token holder with any ownership or other interest in the Company, the Distributor or any of their respective affiliates.
2. Notwithstanding the HSF distribution, users have no economic or legal right over or beneficial interest in the assets of the Company, the Distributor, or any of their affiliates after the token distribution.
3. To the extent a secondary market or exchange for trading HSF does develop, it would be run and operated wholly independently of the Company, the Distributor, the distribution of HSF and the Hillstone Finance platform. Neither the Company nor the Distributor will create such secondary markets nor will either entity act as an exchange for HSF.

TOKEN ALLOCATION

Date: Estimated to be second quarter of 2021

Token price: \$ 1

Number of issue: 100,000,000

Initial exchange circulation: 10,000,000

Minimum transaction value: 0.01

Private placement 10%:

1% cornerstone early contributors

3% first round of private sales

6% second round of private sales

Platform treasury tokens 9%:

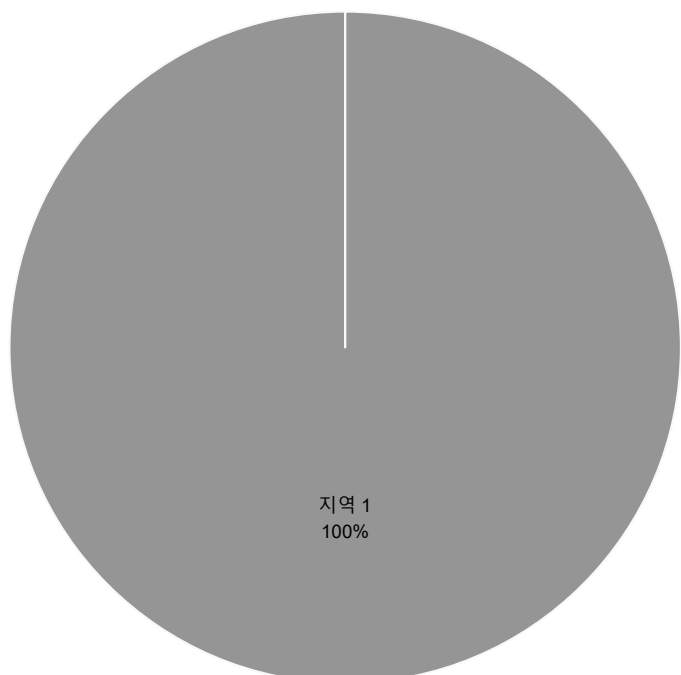
3% project review team

3% governance committee

3% ecosystem partners

Public market: 75%

Team: 6% unlocked in 36 months



ROAD MAP

2020 Q1~Q2

- Hillstone Finance project approval
- IAP protocol Design architecture and consensus

2020 Q4

- Release Hillstone Finance white paper
- Launch Hillstone Finance Partnership Plan

2021 Q2

- Investors APP/Web client-end is fully launched
- HSF token listed, open market trading
- Started to provide professional financial services to global high-net-worth clients

2022 Q1~Q2

- Open diversified, multi-currency investment portfolio
- Provide the most convenient financing entrance for enterprises with capital needs

2020 Q3

- IAP contract is completed, and entered the testing and improvement phase
- The project was officially named

2021 Q1

- Investors APP/Web client-end enters the development stage
- Global layout and in-depth establishment of branches in Hong

2021 Q3~Q4

- Expansion of HillStone Finance strategic investment institution partners
- Open blockchain project based on HSF token fundraising contract
- Open the project community, allowing investors to have zero-distance contact

2022 Q3~Q4

- Become a global DeFi decentralized top financial management platform
- Complete the comprehensive strategic upgrade of platform, product, and scale

Stay

C-LEVEL



FOUNDER & CEO

Hwang Na-yol

2007 Seoul National University
Humanities Dropout

2017 Hillstone Partners CEO
2016 Yozma Campus Korea Center
Director
2014 CrazyRap CEO
2005 X Face CEO
2003 UMind CEO



CHIEF OPERATING OFFICER

Park Jae-ho

2013 Graduated from Hanyang University
Major in Economics and Finance

2017 Director of Chain revolution Partners
2014 Raftworks Director
2013 Jeans CMO
2012 Z Mobile Project Manager
2010 Farm KOREA Founder



CHIEF STRATEGY OFFICER

Park Ki-mu

2003 Graduated from Peking University,
Major in Business Administration

2017 ReallR CEO
2014 Brighta Consulting Co-Founder
2013 Mplus Consulting Team Manager
2012 consultant (China business)



CHIEF TECHNOLOGY OFFICER

Lee Jae-heung

2019 Graduated from Hanyang
University , Major in Computer
Engineering,

2018 ADEVT CEO
2018 SCV Soft CTO
2015 PLASSE Researcher
2017 Naver Lecturer
2017 Engine Developer



CHIEF STRATEGY OFFICER

Jeong Dae-dan

1999 Seoul National University Major
in Law

2013 NEOWIZ Project Manager
2017 Great Friends CEO



CHIEF MARKETING OFFICER

Yoo Jemin

2019 Hillstone Partners, CMO
2018 369Block Founder
2015 Where is new Director
2010 Femia CEO
2009 AKPR CEO

Working Group



**PLANNING
PART
LEADER**

Hong Dok-hyun

2019 Dankook University Business Administration

2018 ADEVT CCO
2018 SCV Soft CMO
2016 Art Store CEO
2016 Samsung Card Marketing Strategy Marketing Department
2016 LG Electronics CSR Marketing Department



**IMPLEMENTATION
PART
LEADER**

Jun Chang-hae

2019 Chungcheongnam-do Public Data Commissioner
2019 Vice President in CCSCOO
2018 CTO in ADEVT
2017 CTO in ARTSTORE
2016 Special Award for President of the KOSSA Association



**DESIGN
TEAM
LEADER**

Nam Il-woo

2008 Samsung Art & Design School / Graduated
2010 CJ Media OPAD / Design
2011 Medici Milano / Design, Planning
2013 CrazyRap / Design
2017 IVAN creatives / design



**DESIGN
TEAM**

Park Ye-rim

2007 Samsung Art & Design School / Graduation
2017 IVAN creatives / design
2013 CrazyRap / Design
2012 Medici Milano / Design, Marketing
2011 Unkown People / Design & MD



**MARKETING
TEAM**

Choi Myong-jin

2013 ERICA Mechanical Engineering, Hanyang University
2019 Hillstone Partners CSO
2018 369 Block co-founder



**MARKETING
TEAM**

Lee Joo-hak

2015 KwangWoon University Electronic Engineering
2018 369Block, Director

References

- [1] PwC/CB Insights MoneyTree™ data explorer [Online]. Available : <http://www.pwc.com/moneytree>.
- [2] Cambridge Associates. US Venture Capital: Index and Selected Benchmark Statistics. PDF file. December 18, 2019.
- [3] Wilson, John. The New Ventures, Inside the High Stakes World of Venture Capital.
- [4] Korean Venture Associations. Start Up with Venture Capital. PDF file. November, 2016.
- [5] National Venture Capital Association. NVCA 2020 Yearbook.
- [6] Molic, E. (2014), 'The dynamics of crowdfunding: an exploratory study', Journal of Business Venturing, 29, 1-16.
- [7] Hosang, Choi. Landscape of Crowdfunding and its future prospects. The bankers, 37
- [8] Raymod, Sam; Lambkin, Anthony; Swart, Richard; Neiss, Sherwood; Best, Jason (2013-01-01). "Crowdfunding's potential for the developing world": 1-103.
- [9] James Cherowbrier. Annual volume of equity based crowdfunding in the United Kingdom 2013-2018. Statista. May 6, 2020.
- [10] The History of Blockchain. Binance Academy [Online]. Available : <https://academy.binance.com/blockchain/history-of-blockchain>
- [11] DeFi Digest and Common Issues Part 2. Staking Rewards [Online]. Available : <https://www.stakingrewards.com/journal/defi-digest-ecosystem>
- [12] Total Value Locked (USD) in DeFi. DEFI PULSE [Online]. Available : <https://defipulse.com/>
- [13] Roobee Whitepaper. Roobee.io [Online]. Available : <https://roobee.io/docs/whitepaper.pdf>



HILLSTONE DEFI

Maximum investment opportunities in De-Fi platform

Ver. 2.0 /

White Paper

Hillstone ; The Revolution of Finance

EN

HILLSTONE

This white paper is only for the purpose of providing general information, and not for the purpose of providing brochures, proposals, securities proposals, investment persuasion, or the sale of commodities or assets (digital or other). The information does not promise accuracy or completeness or disclosure of information. None of the content contained in this white paper can be used as a guarantee of Hillstone's future achievements, and cannot be copied, copied, distributed or transmitted in any form without the prior written approval of the Hillstone group.