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Land of fantasy Co., Ltd.

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Chon Buri 20000, Thailand

Matter Number: T2662-1

Matter Name: Legal opinion on listing LOF Tokens on a digital asset exchange platform in Thailand

Attention: Ms. Jeeranun Phukhanthasom

Legal opinion on listing LOF Tokens on a digital asset exchange platform in Thailand

1. BACKGROUND

Land of fantasy Company Limited (the “**Company**”), an entity incorporated in Thailand, has commenced LOF LAND project with the aim of promoting digital tourism innovation, which includes issuing LOF LAND TOKENs (“**LOF Token**”) to investors in Thailand (primary market). We were informed that the issuance of LOF Tokens was not subject to the regulated Initial Coin Offering (ICO) process.

We have reviewed the LOF Token Whitepaper ([PDF Page \(qrco.de\)](#)) which was provided to us, as well as the available information on the Company’s official website (<https://www.lof-land.com/>). LOF Token is claimed to be a **utility token** that defines a person’s right to acquire goods or services. Token holders can exercise their rights as soon as such digital tokens are issued and offered for sale. LOF Token holders will have the right to redeem products, services, and privileges through the ecosystem, which includes the following products and services in the Digital Voucher group of the Company:

- **Warp Ticket** – grant the right to access various attractions of LOF LAND (see below) which are exclusive for LOF members only, and other rights, such as the complementary menu from CLIFF CUP café, including privileges from other participating business partners;
- **Rental Space Ticket** – grant the right to space rental services, including Portraits, Pre-Wedding photos, meetings or seminars, Commercial product advertisements, Private events, such as Team building, Weddings, Birthday parties, or family activities;
- **Special Event Ticket** – grant the right to redeem tickets for exclusive events, Music Concerts, Live Concerts, Fan Meetings, and Cinema tickets as offered by the Company; and
- **Loyalty Ticket** – grant the right to redeem brand loyalty collectibles, loyalty points, and premium products.

According to the Company's official website, it appears that the LOF ecosystem where LOF Token holders can redeem the above rights is currently a place called LOF LAND, or "*Warp gate to the land of fantasy*", which is a 24-rai land development project that is under construction and located at LOF LAND @ Grand Canyon Chonburi, whereby Phase 1 opened on June 1, 2022.

With respect to the secondary market, LOF Tokens have been listed on XT.com exchange ("**XT Exchange**"), an offshore digital asset exchange platform which does not hold a digital asset business license under Thailand's Emergency Decree on Digital Asset Businesses, B.E. 2561 (2018) ("**Digital Assets Decree**").

OUR ASSUMPTIONS

- There is no native platform where LOF Tokens can be used for platform protocol governance, and nor it can be used as a payment token under such platform.
- LOF Tokens will not grant any equity in the Company, rights to a profit-sharing arrangement, or any rights, monies, profits, or ownership, possession, lease, or any rights over LOF LAND building.
- In any circumstance, LOF Tokens will not be used as a means of payment.
- Apart from XT Exchange, LOF Token is currently not listed on any other digital asset exchange, and specifically, not on any licensed digital asset exchange platforms in Thailand.

2. OVERVIEW OF THE RELEVANT LAWS ON DIGITAL ASSETS

The Digital Assets Decree is the main law in Thailand that governs digital asset businesses, including the issuance and offering of digital assets to investors in Thailand, and the licensing of intermediary businesses, whereby the Securities and Exchange Commission - Thailand ("**SEC**") acts as the main regulator.

According to the Digital Assets Decree, digital assets can be classified into two types:

- (i) **Digital tokens** – An electronic data unit which is used as a determinant of the rights of a token holder under an agreement between the token holder and the token issuer; and
- (ii) **Cryptocurrency** – A digital medium of exchange for goods, services, rights, or other digital and physical tradable assets (e.g., bitcoins or ripples).

The Digital Assets Decree classifies Cryptocurrencies and Digital Tokens into the following types:

Digital Asset	Type of Digital Asset	SEC Approval requirement for ICO*	Details
Crypto currencies	Approved cryptocurrencies	N/A	<p>Approved cryptocurrencies and non-approved cryptocurrencies can be listed on licensed digital exchanges and traded by investors. However, ICO issuers and licensed operators of regulated digital asset businesses can accept only either Thai Baht currency or approved cryptocurrencies as payment.</p> <p>As of March 2024, the Approved cryptocurrencies, as listed by the SEC, are Bitcoins (BTC), Ether (ETH), XRP, and Stellar (XLM). The SEC may update this list from time to time.</p>
	Non-approved cryptocurrencies	N/A	<p>Generally, there are no official definitions for non-approved cryptocurrencies, which are basically any cryptocurrencies other than Bitcoins (BTC), Ether (ETH), XRP, and Stellar (XLM).</p>
Digital Tokens	Regulated Digital Tokens	√	<p>Currently, regulated digital tokens are classified as follows:</p> <ul style="list-style-type: none"> • Investment Digital Token – A digital token that specifies the right of a person to participate in an investment in any project or business. An investment digital token must clearly clarify the rights of the token holder to participate in the investment in the project or business, in accordance with the business plan, and its terms and conditions; • Utility Digital Token which is <u>not</u> ready to use – A digital token that specifies the rights of a person to acquire specific goods, specific services, or any other specific rights, which cannot be utilized since the first date of offering,

			<p>but which can be utilized afterwards. Such token must clearly clarify the rights of the token holder to acquire goods, services, or any other rights according to the business plan, and the terms and conditions; and</p> <ul style="list-style-type: none"> • Real Estate Backed Digital Token – An Investment Digital Token or a Utility Digital Token with real estate back-up. • Debt-like digital tokens – Digital tokens for which a fixed rate of return is pre-determined. The rate does not vary based on the performance of the project or enterprise, but it may be supplemented by extra returns. • Infrastructure-backed digital tokens – Digital tokens which are issued for investment in infrastructure assets, or to earn a share of the revenue stream from infrastructure projects.
	Non-Regulated Digital Tokens	N/A	<p>Generally, there are no official definitions for non-regulated digital tokens, which are basically any digital tokens which do not have the characteristics of regulated digital tokens as prescribed by the SEC, including Utility Digital Tokens which are ready to use, i.e. specifying the rights of a person to acquire specific goods, specific services, or any other specific rights, which can be utilized since the first date of offering</p> <p>IMPORTANT - On June 11, 2021, the SEC announced that: a) the following types of digital tokens will be deemed <u>prohibited non-regulated digital tokens</u>; and b) they <u>cannot be listed or traded on any of the licensed digital asset exchanges</u>:</p> <ul style="list-style-type: none"> • Meme Tokens – Having no clear objective or underlying substance, with the price dependent on social media trends; • Fan Tokens – Which are tokenized by famous online influencers;

		<ul style="list-style-type: none"> • Non-Fungible Tokens (NFTs) – Digital creations that declare ownership, or which grants rights in an object or a specific right, and which are unique and not interchangeable with digital tokens of the same category and type at an equal amount; and • Digital Token issued by digital asset exchanges themselves or related persons, and used in blockchain transactions. <p><u>Remark</u> – The prohibitions on listings include Cryptocurrencies that exhibit the characteristics mentioned above.</p>
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*A public offering of digital tokens is commonly known as an initial coin offering (“ICO”). The SEC has announced a Notification Re: Criteria, Provisions, and the Procedure for approval of an ICO (the “**SEC Notification**”), which prescribes certain types of digital tokens (“**regulated digital tokens**”) that are regulated in a similar manner to securities. This means that the issuance and offering for sale of these regulated digital tokens require: 1) approval from the SEC; and 2) filing the registration statements and the draft prospectus with the SEC, before the regulated digital tokens can be marketed and offered to public investors in Thailand, unless exempted for certain types of offering. The regulated digital tokens will be offered through an SEC-approved ICO Portal, which has a role that is similar to that of a financial adviser and an underwriter in a conventional public offering for securities.

Listing rules for a Digital Assets Exchange

Under the Digital Assets Decree, there is a requirement that digital assets exchange platforms in Thailand (“**Licensed* digital asset exchange platforms**”) must have listing rules which set out the platform’s criteria for listing or delisting any digital token or cryptocurrency on its exchange platform.

Although no specific criteria for the listing rules have been set out, licensed digital asset exchange platforms are required to submit their internal listing rules to the SEC for approval.

The listing rules should at least state the prohibitions pertaining to digital tokens or cryptocurrencies that the SEC has explicitly banned from being listed on exchange platforms. As previously mentioned, this includes Meme tokens, Fan tokens, NFTs, and Digital tokens issued by digital asset exchanges themselves or related persons, and which are used in blockchain transactions.

*Under the Digital Assets Decree, a digital assets exchange is a regulated digital assets business which require a digital asset business license from the Ministry of Finance, with the recommendation of the SEC, prior to commencing their digital assets exchange business in Thailand.

3. OUR LEGAL OPINION

Short Response: LOF Tokens can be listed on a licensed digital asset exchange platform with caution and practical challenges.

Under the Digital Asset Decree, there is no regulation preventing LOF Tokens from being listed on a Licensed digital asset exchange platform. However, the Company must clearly demonstrate that the LOF Token does not qualify as a 'Meme Token', which is prohibited under the listing rules. Specifically, it must be shown that the LOF Token has a clear objective, or underlying substance, and its price is not solely influenced by social media trends.

Furthermore, given that a LOF Token is categorized as a “Utility Digital Token which is ready to use”, it is not customary in the Thai market for a Licensed digital asset exchange platform to list such tokens.

It is worth noting that the decision to list a Utility Digital Token that is ready for use is dependent on the internal listing rules of each Licensed digital asset exchange platform. Therefore, it is at the sole discretion of the Licensed digital asset exchange platform to decide whether or not to list the LOF Token.

OUR ANALYSIS

From the characteristics and features of the LOF Token provided, we opine that the LOF Token would theoretically be deemed a “**Utility Digital Token which is ready to use**”, as it is clear under the Whitepaper that all the rights are redeemable upon issuance. In addition, LOF LAND has been established and opened since June 1, 2022 (at least for Phase 1). Therefore, the LOF Token holders can exercise their right to redeem certain products or services which are available at LOF Land instantly, as of the date on which they acquire and hold the LOF Token. Therefore, the LOF Token should be a type of Non-Regulated Digital Token, which may be listed and traded on a Licensed digital asset exchange platform, if permitted to do so by its listing rules. However, please observe the following:

Observations and Risks

1. Please note that the SEC only provides a broad definition for a ‘Meme Token’, stating that it is a token or cryptocurrency which has no clear objective or underlying substance, with the price dependent on social media trends. Generally, the SEC would consider the characteristics, rights of the token holder, underlying substance, and the value of the token, and it has the sole discretion to determine whether it would be considered a Meme Token.

LOF LAND, which is still under development, seems to be the only place or source where LOF Token holders can exercise their rights to redeem products or services. Such limited source and availability of products and services may not be sufficient to justify that the LOF Token is not considered to be a ‘Meme Token’, which is prohibited from being listed and traded on a Licensed digital asset exchange platform.

Although the Company claims in the Whitepaper that the LOF Token is supported by goods and services with a clear valuation and control mechanism, it would be the responsibility of the Company to prove that the LOF Token has: (i) real rights with respect to redeeming ready-to-use and tangible utilities, such as for example, the products and services in the stores in LOF Land are actually available for redemption; and (ii) its market price is not primarily influenced by social media trends.

2. Moreover, licensed digital asset exchange platforms also have their own listing rules, and only those Cryptocurrencies or Digital tokens that meet its listing requirements can be listed on such Licensed digital asset exchange platforms. Typically, it is a business practice in the Thai market that Licensed digital asset exchange platforms will exclude Utility Digital Tokens - which are ready to use - from its listing rules, due to the fact that their liquidity and characteristics might not be suitable for trading on Licensed digital asset exchange platforms.

Therefore, for the LOF Token to be listed on Licensed digital asset exchange platforms, it must undergo a review process by the Licensed digital asset exchange platforms, which will determine its compliance with the platform's internal listing criteria. The ultimate decision to include the LOF Token on the platform is solely dependent on the discretion of the Licensed digital asset exchange platforms.

IMPORTANT – New draft SEC regulation on the listing rules for Utility Digital Tokens which are ready to use.

In January 2023, the SEC held a public hearing for a draft regulation for ready-to-use utility tokens. The SEC proposed that the issuers of ready-to-use utility tokens should be separated into two groups: Group 1: Ready-to-use utility tokens which are issued for consumption purposes, or as a digital representation of a certificate; and Group 2: Ready-to-use utility tokens that are not specified in Group 1 (e.g., native/governance tokens, and exchange tokens).

For Group 1 utility tokens, (*whereby the LOF Token is likely to fall under this group*), these will be **strictly prohibited** from being listed on licensed digital asset exchange platforms.

For Group 2 utility tokens, the SEC will impose more stringent regulations, including an ICO requirement if the token will be listed on a licensed digital asset exchange.

Apart from the draft regulation, the SEC also proposed revisions to certain sections of the Digital Assets Decree, including re-defining the definition for digital assets to be more specific, as well as revisions to penalties, and revisions to the ICO procedure.

This new SEC regulation is still in the drafting process, and therefore, it currently has no legal binding effect. However, we anticipate that the new SEC regulation will be finalized and enacted soon. Therefore, we strongly recommend that the Company should closely monitor this matter.

We trust you will find our opinion above satisfactory and helpful for your present purposes.

Should you have any additional questions or instructions, or require any further clarifications or assistance in relation to the above or other matters, please do not hesitate to let us know.

Best Regards,

Tilleke & Gibbins