

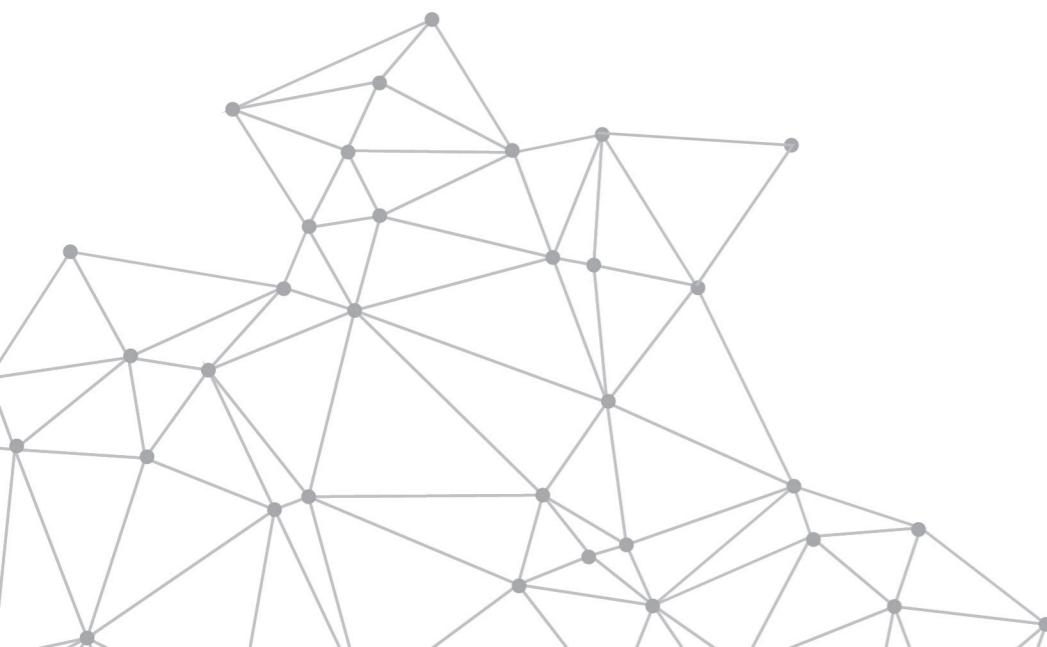
# VISION

Todays' cryptocurrency and blockchain industry has grown massively in terms of size and awareness since its inception in 2009. During this radical growth, access to relevant information, education and investing tools are a necessity to allow the average investor the ability to take full advantage of this highly profitable industry. Molecular Future sees this as an opportunity to provide what it believes the market needs, a one-stop digital asset management platform.

This white paper describes in detail the features and benefits proposed by this one-stop digital asset management platform. With the help of blockchain engineers, financial practitioners, early digital asset investors and experienced financial investment advisors, Molecular Future aims to provide a premier ecosystem for investors and start-ups alike.

Molecular Future will provide financing to new and innovative start-ups which are utilizing blockchain technology services, and with the help of financial partners listed above, as well as third party large VC companies, Molecular Future will be able to deploy professional financial investment management teams, and post investment management consulting teams to continually ensure the projects long term start-up viability.

Molecular Future is dedicated to helping its users make better investment choices by providing easy access to the digital asset industry.



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# 1

## The Blockchain Technology Revolution

### 1.1 The Birth of Encrypted Digital Assets

Currencies have always been used as a way of facilitating a fair and accessible exchange of goods and services. Having a common standard to serve as a medium in economic exchanges helps make transactions easier and largely improves social productivity. In the modern world, transactions have become increasingly complex and diverse, and as such, currencies have as well. Every day in traditional finance billions of dollars are switched between hundreds of different currencies, all trying to access a desired good or service, and some, like in high frequency trading, want access within a few milliseconds. Even currencies have innovated themselves. After the global financial crisis of 2008, the world saw the birth of the first digital currency, Bitcoin. This new currency has since seen wide-spread adoption, praise and criticism. Since Bitcoin's launch, over a thousand other currencies have emerged, each one after the next astounding spectators and analysts with their novel implications.

Whether from an economic or policy perspective, digital currency offers a fiscal alternative closer to the needs of the present age. The role of these currencies as a new financial instrument has been recognised by most of the world's countries.

Digital currencies appear to be the next progressive step in the development of money. When compared to the traditional cost and use of money, these new currencies and the technology they are based upon offer faster transactions, smaller fees and greater convenience. If fully implemented and accepted by governments, this new trend could lead the way for a cashless future.

According to statistics, as of August 28, 2017, the world has already developed thousands of different digital currency systems, with a combined market value exceeding one trillion yuan, and as of July 2017, the global market price leader, Bitcoin, reached a peak of 30,000 yuan – a feat previously thought unachievable.

### 1.2 The Relationship between Blockchain Technology and Finance

Blockchain technology refers to a digital, decentralised public ledger that includes all transaction data relating to a particular system. A Blockchain is simply a chain of completed blocks that are recorded and added into a chain in a chronological order. Each block contains all of the system's exchange and communications data at a given period of time which is then linked to the next block in the database.

To put it simply, blockchain technology is a way to enable public participation in collective accounting. Behind all of these systems is a database, that is, a massive

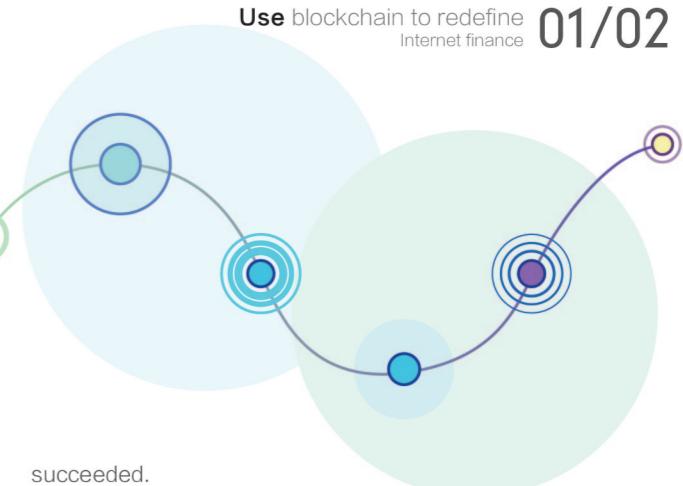
their transactions via their own proprietary system; for instance, Alipay's accounts, similarly, are managed by Alipay. But with a blockchain system, everyone can have the opportunity to participate in the accounting process. When new transactional data appears in the system, for a certain period of time, everyone in the system is allowed to manage the blocks, and the system will automatically judge who managed the blocks the fastest and best, and will record this information into the account.

After this data entry process is complete, the system will then send an encrypted copy of the accounts to each party involved in the network as a backup.

Thus, everyone in the system has a complete financial record, meaning the stored data is safely secured.

Because all Blockchain information is encrypted and spread in parts to all members of the network, it becomes almost near impossible to hack, tamper or misappropriate. Anyone seeking to tamper with any of the blocks in the chain will need to have access to more than half of the network's data nodes (more than half of everyone participating in the public accounting process).

Many have tried to hack the blockchain system, but all have failed. An illustration of the reliability and secured nature of this process can be seen through Bitcoin. During the 7 years that Bitcoin has been operating, thousands of hackers have attempted to compromise its network, and none have



succeeded.

The technical foundation for digital currencies is essentially a set of computer algorithms that use what is known as a SCRYPT encryption system, which combines a distributed timestamp, public key, and a proof-of-work scheme.

Trust is the foundation of the financial industry. In order to maintain this trust, the financial industry has developed a large number of high-cost, low-efficiency intermediaries riddled with single points of failure. These include trustee agencies, third-party payment platforms, notaries, banks, exchanges, and so on. Blockchain technology uses a method of cryptographic authentication and decentralized consensus mechanism to maintain a complete, distributed and tamperproof financial accounting system. Working under the premise of a lack of mutual awareness and trust between parties, this unified billing system ensures capital and information security, and is of great significance to financial institutions. Therefore, global financial giants have been forced to explore the applications of blockchain technology, partly to avoid the risks of being disrupted by an innovative third party, and partly to take advantage of the reduced costs and increased efficiencies it could offer, thereby consolidating, optimizing and expanding their existing power.

Overall, using the Blockchain as a network will benefit Molecular Future greatly as it:

- Reduces credit risks
- Reduces operating costs
- Reduces data errors
- Reduces the possibility of a hack occurring
- Improves the efficiency of payments, transactions, and settlements
- Automates more processes
- Is fully compliant in terms of regulatory and auditing requirements

## 1.3 Risk Identification in the Unceasing Global Trading Market

Unlike in traditional investment markets, the digital currency trading market never stops; 24/7 global trading and a lack of regulatory constraint have resulted in one of the largest bull markets ever seen. Even Bitcoin's crash in 2013 hasn't stopped speculation, as almost every weak now it reaches new highs. Since its previous crash and subsequent bear market, the digital currency ecosystem has begun to mature, with more education and a clear vision of a world enveloped in cryptocurrency, tens of thousands have become actively involved in the industry. These new and active investors are pushing the market to new highs, thus creating more explosive growth. Many have drawn parallels between the cryptocurrency industry and the dot-com boom of 1998. Therefore, the mission of Molecular Future is to examine how to identify early market risk, to use professional analysis to gain insight into the market, and to help investors make investments with ease.



## The Opportunity for Molecular Future

### 2.1 Analysis of the Digital Currency Market

The recent global innovation model of internet-based finance is rapidly developing, and the digitization of money is becoming an unstoppable trend. Digital currencies are becoming favoured by a rising number of large funds, each of which celebrate its borderless, decentralised, anonymous, fair, and equitable qualities as a monetary system. As the leading example of these booming digital currencies, Bitcoin's market value has now soared past 7.2 billion US dollars.

Since digital currencies do not require the participation of any central organisation, their gradual rise and their use has the real potential to shift the status quo away from traditional, fiat based currency.

Currencies are not only a direct expression of finance, but are also a representation of wealth. During the process of all monetary reforms, currencies which are the focus of said reforms become more valuable in terms of their purchasing power and accessibility, and thus, each new monetary revolution creates a new wealthy class.

Many financial experts have explicitly stated that within the next three decades, the digital money revolution will be too irresistible to resist, and the future of the world's most wealthy will belong to those who hold digital currencies.

### 2.2 The Emergence of CTD: What is a CTD?

As more applications of blockchain technology were created (specifically smart contracts), the rapid expansion of the digital asset market provided a new, highly profitable investment pathway.

CTD or a Crypto Token Distribution provides investors access to cryptocurrency projects via crowdfunding methods.

A CTD takes the form of an exchange of value. Investors can purchase a fixed amount of tokens that are being newly issued with a project, for a set amount of another digital currency. For example, if a new decentralized file storage system is raising money, an investor may be able to purchase 100 storage coins for the price of 1 bitcoin.

In essence, a CTD forms a shared economy; it is a model of common prosperity that allows small-scale investors without professional experience the ability to invest in projects, perhaps in industries and ways that were previously unavailable to them while simultaneously creating a new funding approach for entrepreneurs who may be facing issues raising capital through traditional financial routes.

Blockchain businesses that used CTD methods to launch their projects have reaped massive gains, which has seen the market enter a period of wild growth.

This radical growth has encouraged more blockchain projects to emerge and finance themselves at lightning speeds through the sale of digital tokens.

Although in its infancy, using CTD's as a way of generating capital offers greater efficiency improvement when compared to traditional financing methods. For example, a traditional start-up company's initial source of funding may be its own savings, or relatives and friends savings; then, in order to create a prototype, the founder may look for an angel investor to finance the project. If venture capital fund raising rounds are attempted, the venture capitalist will take a long period of time for product inspections and evaluations. During this lengthy period of time, the founder may go bankrupt or miss the chance to enter the market at an optimal time.

However, the use of CTD allows entrepreneurs to remove these negatives by removing the need to use these third parties. Start-ups can now go directly to the market, and after launching a CTD, the company can have access to adequate funds in mere days or minutes.

Simultaneously, CTD financing means investors can trade indefinitely on exchanges, allowing tokens to retain excellent secondary market liquidity, thus leading to a higher project valuation.

In most cases, the encrypted tokens issued during a CTD are offered at a fixed rate against another digital currency (i.e.

Bitcoin). Because the project is generally only in a start-up stage, its prices are not endorsed or backed with anything more substantial than a confidence in the team and a well-developed concept, so the initial price is normally very low.

After the project development is completed and its products are fully or partially released, currency prices will adjust to reflect this new information, which will inherently push up the price of the tokens.

Recently, more and more professional investment institutions have begun to develop an optimistic attitude about the future of CTD as an investment trend.

According to data attained from the research firm, Smith & Crown; in 2014, CTD financing occurred on a scale of less than \$USD 26 million, and then during the coming bear period to \$USD 14 million in 2015. Then, during its resurgence, in the second half of 2016, the digital currency markets began to heat up, with explosive growth of more than \$USD200 million, and in the first half of 2017 alone, CTD financing reached \$USD1.266 billion dollars. Further statistics show that the level of funding raised from CTD projects far exceeded the amount from traditional VC investments. Over a period of three years, the grand total of Ethereum's investment grew 740 times. NEO, known as "China's Ethereum", grew 450 times its initial value in a few short months. Other numerous examples now exist of projects that have grown tens of times in their value in a very short time. However, behind such high yields are large risks, and as in any period of mad speculation, the number of CTD projects have surged, with wild inconsistency of project quality in-between, leading to a current cluster of market chaos.

Currently, there are some CTD projects suspected to be acting as pyramid schemes or cases of fraud, using distributors or virtual projects and other methods to perform 'insider trading', to construct fiscal 'Potemkin villages', to manipulate prices, and many other actions to reap huge profits.

Some teams have produced different CTD projects two or three times, and there are other cases where the founders have simply changed the name several times, ripped off other projects, or ran away with investors money without distributing tokens.

Some projects may not even have a team, or a whitepaper when they are seeking roadshow financing. If new investors lack a full understanding of the market, have not completed due diligence on their chosen product, or have not researched laws and regulations that are relevant to them or the project, they may become a victim of any one or any combination of these factors.



### 2.3 The Informational Transparency Advantage of Digital Assets

Traditional asset markets are strictly controlled, with strict rules as to the issuance of assets and transactions, which has led to the creation of large barriers of entry for many businesses and investors. The result has seen the formation of a closed environment, which is unfavourable for many institutions and investors who form those on the outside. Worse still, the accountants responsible for the auditing processes in these markets are always at risk of being corrupted.

However, a blockchains encrypted database offers built-in transparency and is currently less regulated and more inclusive, with exchanges offering flexibility and access to everyone.

This creates a highly competitive market for quality returns, reducing costs and providing more opportunities. Although it is still unclear how this market will be regulated in the future, for now, blockchain technology has experienced very little pushback or large issues, indicating that its future regulation may be lighter than that of traditional capital markets.

### 2.4 An All-new Capital Market Ripe for the Taking

To recap, in 2009 Bitcoin created an entirely new industry, leading to today's booming digital currency market which is riddled with hidden risks and large opportunities.

In 2013, digital currencies began attracting major attention and by the end of 2016, when a large amount of capital and speculators entered the market, it appeared that strong price volatility was being maliciously aided by speculators, currency issuers, and institutions who were trying to manipulate markets behind closed doors.

However, many people have overlooked the fact that this new industry has attracted a new round of capital operations.

Currently, many digital currency investors are speculators, often with limited funds, and the vast majority of large financial institutions are still waiting to see how the market settles, hesitating because they either look down on or do not understand it, creating something of a fault line. The current digital currency market sees a great deal of arbitrage and hedging, quantitative trading, market operators, and other capital operation opportunities, and as the digital currency markets run open and unregulated around the clock, a large number of capital operation practices that are illegal in traditional securities and financial firms have received the opportunity to be used. At present, members in digital asset industry have a large share of non-financial professional personnel, and as professional financial operators have not yet entered this industry on a large scale, the professional financial team of Molecular Future have decided to take this opportunity to aggressively enter the digital currency industry.

## 3 Molecular Future

### 3.1 About Our Team



JASON TSO | CEO /



GOLDEN YU | CIO /



JACKY CHAN | COO /



KENNENE CHAN | CFO /

Jason is an economics graduate from the Kwantlen Polytechnic University in Canada and the founder of the Molecular group. Jason has many years of entrepreneurial experience and has accumulated expertise in a vast array of financial topics such as: digital currency and traditional financial investment, international trade, financing loans, internet financial operations, and other modern financial operations.

Jacky is another co-founder of the Molecular Group, having graduated from Simon Fraser University with a dual degree in finance and marketing, he carries many years of experience in industrial investment and cross-border trade operations. Jacky has developed a strategic, cooperative relationships with Hong Kong's Emperor Entertainment Group and Luk Fook Financial from many years of work, and has more than 10 years of business management and investment experience.

Golden is the Chief Financial Information Analyst and an expert. He is a co-founder of the Molecular group and previously co-founded the XBTING digital currency. Golden is experienced as a big data information manager, financial risk analyst, technical analyst, and analyst of crypto and traditional equities fundamentals.

Kennese is a Chartered Financial Analyst [CFA] and graduate of the Chinese University of Hong Kong with a bachelor of Business Administration (Finance) with first degree honours. She has over 10 years of experience in the financial industry and has completed a number of M&A projects. Currently, Kennese acts as the sales director for CITIC construction (international) Securities Co., Ltd.



### 3.2 Investment Agency



The Eagles Fund (Hong Kong) was founded by leading entrepreneur and angel investor Mr. Liu Xiaoying. It is a diversified venture capital fund with a keen focus on internet innovations and advanced technology – currently it manages 6 different RMB funds and 3 USD funds, with assets under management in excess of \$100 million and \$30 million respectively. The Eagles Fund also shares a private equity fund with management agencies such as New Dragon Holdings and China Grand Prosperity Investment. As the second largest shareholder of New Dragon Holdings, the Eagles Fund indirectly manages 10 RMB funds with a total scale for \$5 billion Yuan. The Eagle Fund has also been the recipient of honours from China's Mother Fund Alliance, ChinaVenture, CYZone and other institutions for many years due to its success and status as an outstanding early investment institution.



HBCC Investment is a venture capital firm based in Hong Kong that specialises in science and technology companies, and provides funds to early stage investments in these industries. They invest in healthcare, big data, artificial intelligence, the internet of things, new energy and fintech. Partners include China's top ten angel investors: Mr. Liu Xiaoying (Eagles Fund founder), Mr. Li Hansheng (Shanggu Capital founder), Mr. He Shaojun (Cloud Brain Fund partner), Ms. Wu Man (TenplusVC), and Ms. Zhang Huisi (TUS International executive director). HBCC's fund management partners' manage assets in excess of \$500 million.



The Molecular Group is an innovative financial investment company based in Hong Kong with operations spanning asset management, lease financing, VC, investments, internet finance, Blockchain projects, financial consulting and new energy. Using the principles of internet finance, the Molecular Group has innovatively expanded highly transparent, big-data based investments – a feat not possible with traditional financial methods which allows an optimised spread of funds across different projects to create strong, steady gains. Currently, the group has invested tens of millions of dollars in the Blockchain industry, and continues to expand its investment in the sector.



Collinstar Capital is an Australian VC firm that specialises in FinTech, Blockchain, and cryptocurrency investments. Established in 2015, Collinstar Capital has established itself as one of Australia – and the world's leading Blockchain investment firms. Collinstar Capital was an early investor in many emerging cryptocurrencies, including Bitcoin, Ethereum, and Litecoin. Collinstar has also played a key role in the launching of projects operating within the Blockchain ecosystem, and currently serves as the lead manager of Hcash, a successful decentralised and open-source cross platform cryptocurrency that integrates both blockless and block-based DAG system.

Hcash (as Hshares: HSR) currently stands at the 17th largest cryptocurrency by market cap (>USD \$888m). Since the end of 2016, Collinstar Capital has provided venture capital to dozens of early Blockchain projects throughout the industry.



The Hcash Foundation is the first Australian organisation to have launched a successful ICO, and is currently within the top 20 largest cryptocurrencies in terms of market capitalization. The purpose of the foundation itself is to promote the education, adoption, and growth of the Hcash eco-system. The foundation seeks to aid individuals, schools and universities, small business and corporations, NPOs, charities, councils and state and federal governments better understand the innovation inherent to Hcash, and to connect these organisations with Hcash.

# 4

## Project Summary

Molecular Future is a one-stop digital asset investment service platform which is jointly invested by the Molecular Group, Eaglesfund, HBCC, the XBTING Foundation, the Hcash Foundation, and Collinstar Capital. The project aims to provide users with Blockchain technology-related investment products, agency-level trading software, media information, project files and community service systems to correctly guide users through the Blockchain industry.

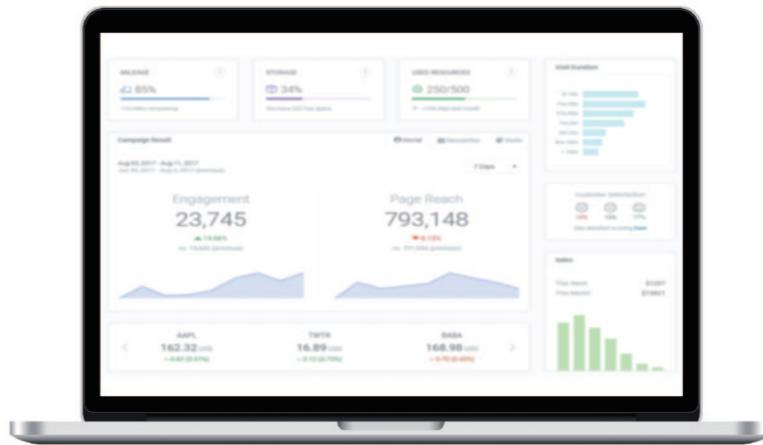
### 4.1 Digital Asset Management

- Risk Assessment System: capable of making a professional risk assessments, contingent on the investor's family situation, income, risk preference, expected income and other data.
- Seamless Investment System: Making an one-click diversified investment strategy according to the investor's risk tolerance evaluation.
- Public Opinion Monitoring System: 24/7 automated collection of de-centralised applications that utilise the latest developments in digital assets, and online forums to provide accurate information on market sentiment.



### 4.2 Digital Asset Investment Products

- Unilateral trading.
- Digital currency hedging
- Arbitrage of digital currency
- Project crowdfunding
- Quantitative trading



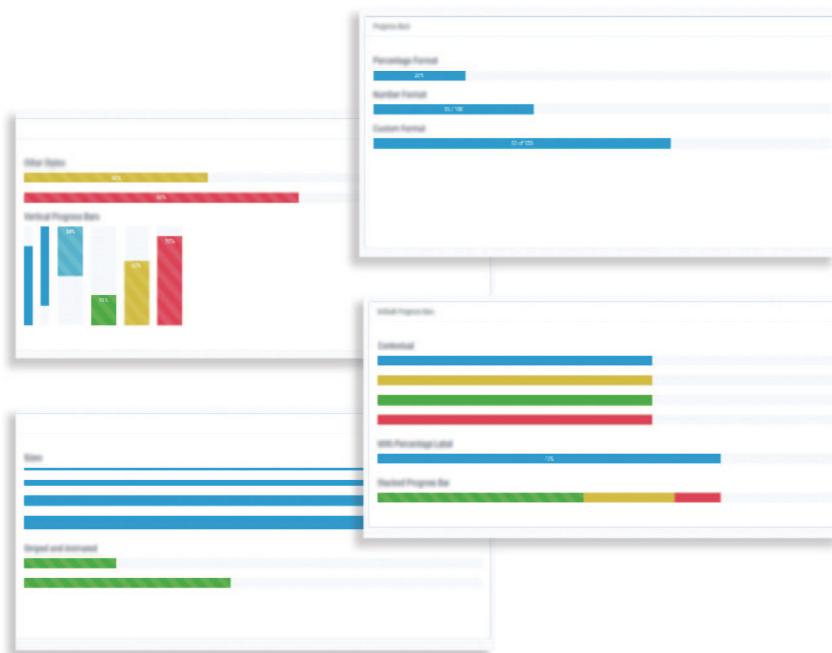
### 4.3 Digital Currency Market Software

- Provides trends for all digital currencies on the market
- Data assemblage services providing technical analysis, fundamental analysis, information collection, etc
- Real-time monitoring of ups and downs, handicap, and capital flow – screened by certified analysis and providing timely information on anomalies first
- Automatic alerts can be set, to notify users when target prices are reached
- “One-click worry-free” diversified Investment
- Classify, rank, score and maintain a database of digital assets on the market



#### 4.4 Project Filing and Grading

- Database of qualified Blockchain related projects
- Professional analysts offer accurate ratings
- Consolidate projects' historical data
- Investor's provide experience feedback
- Score rankings and project warnings and blacklist features



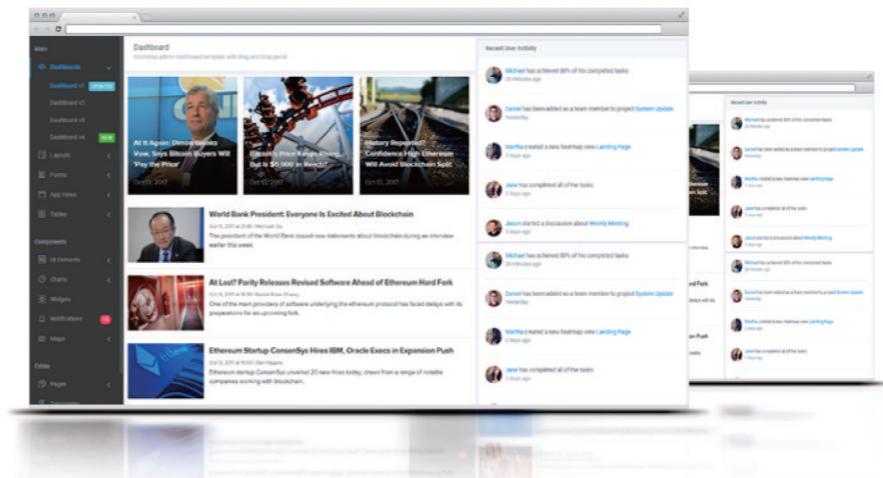
#### 4.5 Creating a Decentralised Application Ecosystem

Molecular Future has created a strong network of respected professionals, consisting of financial practitioners, investors, VC firms, start-ups, advisors and influencers. This will allow Molecular Future to assist promising start-ups in their journey towards success through the creation of an incubation program. As more projects list on the program, this will slowly lead to the development of an interconnected application ecosystem, where Molecular Future will be a hub of innovation.



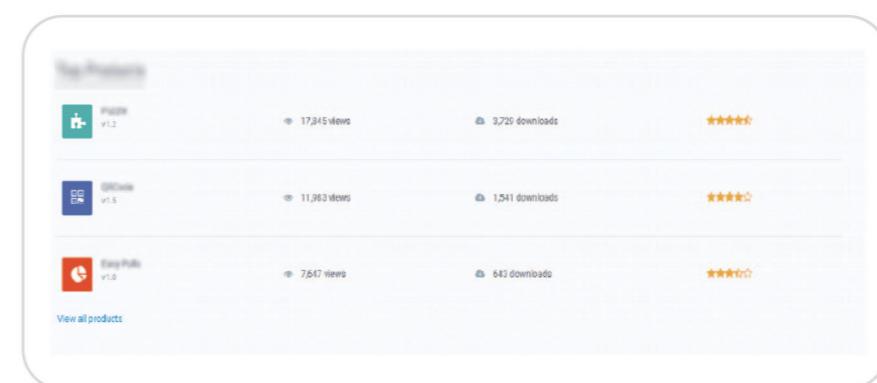
#### 4.6 Information + Media + Community

- The professional information section provides the latest data and news pertaining to digital currencies
- Contains columns by brilliant, relevant professionals
- Provides for user investment experience sharing
- User assistance FAQ
- Provides for user co-investment and rewards



#### 4.7 Decentralized Public Ledger, Transparent and Public Operations data

Molecular Future plans to decentralised operational data through the use of Blockchain technology and mutual cooperation. By using an algorithm to record and validate all transactions transparently, and by substituting the role of a third-party intermediary with mathematical algorithms, Molecular future will reduce friction and improve efficiency in these pursuits.



# 5

## Advisory Team



**Steve Lau**

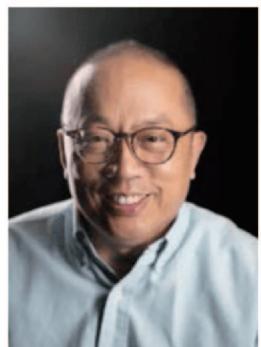
Development Advisor  
Renowned Angel Investor  
Founder of China's  
Changyuan Group  
Hurun Rich list Top 500

Liu Xiaoying/ Steve Lau: Mr. Liu is one of the most outstanding entrepreneurs and angel investors in China. He founded the Changyuan Group in 1993, which, under his leadership, became Nokia's first exclusive distributor in China and put him on the Hurun Rich List's top 500. The Changyuan group was successfully listed on the Hong Kong Stock Exchange in 2000, and in 2003 ranked sixth out of China's top 100 science and technology enterprises. In 2011, Mr. Liu Xiaoying entered the field of angel investment and founded the Eagles Fund. As of 2017 he has invested in more than 300 start-ups within the internet and high-tech industries. He has received an award as one of "China's most active angel investors" in 2015 and 2011, and has been named among China's top ten young investors, amongst other honours.



**Dr. Hou town**

Financial advisor  
Vice President of credit Suisse  
Business at Manchester university  
Master of management  
University bachelor of economics



**John Ho**

Technical Advisor  
HBCC Foundation Partner

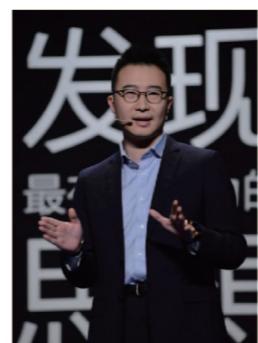
TenplucVC Partner  
Cloud Brain Fund Partner, former Global Vice President and General Manager (China) of VeriSign (NASDAQ: VRSN)  
Former VP of Groupon (China) (NASDAQ: GRPN)  
Former Senior Vice President of AsiaInfo (NASDAQ: ASIA)  
Helped design and implement Internet backbone network connections in all provinces and cities in China  
China Internet backbone network connected to Hong Kong before the 1997 return  
Manages the over 14 million top-level domain .com and .net domains of the Greater China region  
Multiple interviews for China Central Television on cloud computing, artificial intelligence, big data, and Internet of Things  
Dallas University of Texas (Bachelor)  
UCLA EMBA



**Ryan Xu**

Development Adviser  
'The Martian', Serial Blockchain Entrepreneur  
Renowned Investor

Co-founder of BTCS Australia (NASDAQ: BTCS), co-founder of Block Chain Global - which owns Australia's largest digital asset trading platform, ACX, and is the largest shareholder of the first publicly listed Blockchain company, Digital CC (ASX: DCC). His scope of business coverage includes Blockchain strategy consulting, Blockchain cloud computing, Blockchain asset transactions, Blockchain project incubation, and other related fields. Ryan is also the founder of Australia's Collinstar Capital - which a government approved Blockchain venture investment fund license and invests within a wide variety of projects within the Blockchain ecosystem. As the lead underwriter of some of the world's most prominent ICO projects, Collinstar has been influential in the launching of many star projects.



**Cao Yin**

Founding Partner, Chief Strategy Officer, Energy Blockchain Labs  
Chief Expert of Blockchain, China Cinda  
China's 9th E-resident member of E-Estonia project



**Wang Dou**

Geek Capital founder  
Technical geeks  
Community Operations Specialist  
Blockchain robot inventor



TBA  
Technical  
Vice President of  
Business at Menc  
Master of man

# 6

## CTD Rules

### Distribution Rules for Molecular Tokens(MOT)

Molecular Future Platform Tokens, which will hereafter be referred to as Molecular Tokens or MOT, will be distributed with a permanent total of 200,000,000 MOT tokens. At no point after the original creation will further tokens be issued. MOT is a decentralized blockchain digital asset that Hcash collaboratively distributes.

#### Distribution Method

- 50% of tokens (100 million tokens) will be put up during the public offering.
- 35% of tokens (70 million tokens) will be held by the foundation, to be used as community incentives.
- 15% will be held by the founding team, with a lock-in period of one year.
- 1 Ethereum (ETH) will be equivalent to 1600 MOT during the CTD.

#### MOT Currency Value

Users investing through Molecular Future's platform can use either MOT's or other alt-coins (depending on the project) as a payment method.

Users who spend MOT tokens for transaction and service fees will be rewarded through promotional and other loyalty campaigns.

Corporations using the Molecular Future platform to conduct media promotions will need MOT's to pay for these services.

Listed funds on the Molecular Future platform will need MOT's to pay for listing and operation fees.

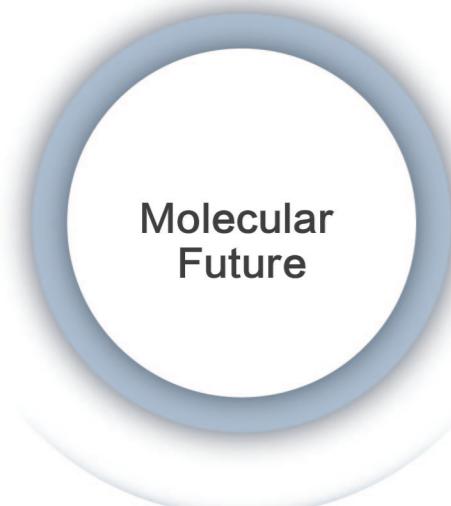
#### Repurchasing Mechanism

After the molecular future platform is brought online, every quarter will see 40% of net profits used to repurchased MOT. Repurchased MOT will then be immediately destroyed, and the records of repurchasing will be published directly. Users will be able to verify this through the Blockchain browser, ensuring openness and transparency. This process will continue until the 100 million MOT initially offered to the public have been destroyed.

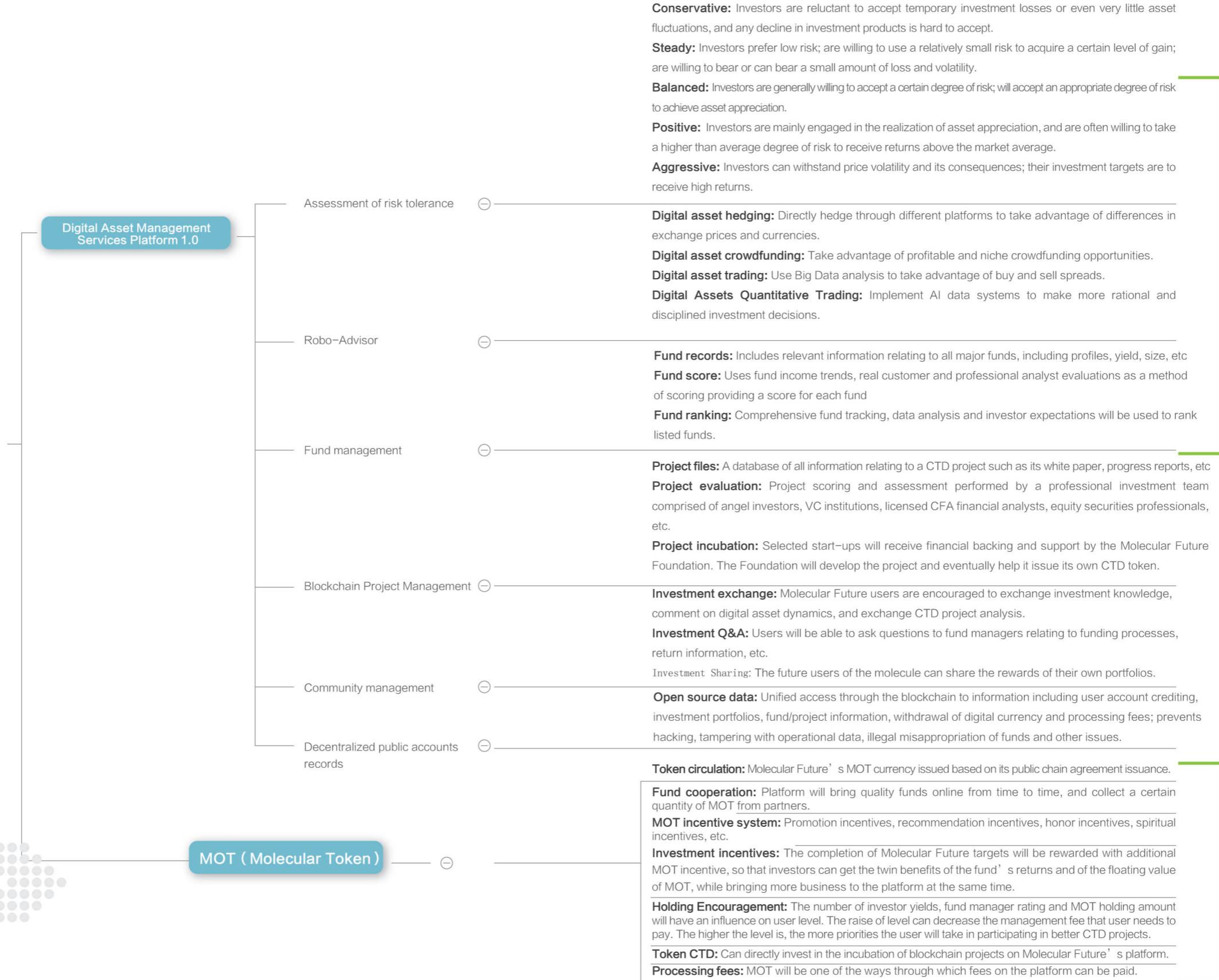
#### Capital Use Plan

- 40% of the funds will be used for the future development of the platform and for system operations and maintenance, including the provision of incentives to team members and R&D funding.
- 30% of the funds raised will be reserved for the Molecular Future platform in order to build the brand and fund promotions, including continuous promotion targeting traditional industries, the Blockchain industry, and other efforts to popularise the platform. Additionally these funds will be used to provide financial support to various other market activities to ensure the platform gains rapid recognition and users.
- 15% of the proceeds from the sale of tokens will be used for patents and legal fees and similar services.
- 15% of the proceeds from the sale of tokens will be held as reserve funds to allow the platform to cope with any potential emergencies.

## Mind Map



7





# 8

## Risk Disclosure

Since CTDs are a relatively new financing tool, there are many apparent uncertainties associated with the emerging field. With the introduction process of any decentralized market, the associated risks increase severely. However, uncertainty does not result in a co-linear increase in asset risk, like in regular securities. The following is a collection of several associated risks, both human and asset based, that investors need to fully assess before choosing to invest:

### Technical risks

For any investment project, there exist technical risks. Certainly, the risks cannot be avoided in the project of digital currency issuance adopting new technologies. The technical risks are mainly demonstrated from the following aspects:

#### 1.Reasonable degree of technical route

For the CTD project, when it is launched, the proof of concept should have been completed, and part of the code or code framework has been made public (if in the case that the announcement is determined). There should be reasonable landmark and progressive design, in which the focus at each stage should be clearly described and technical innovation, technical loopholes and demands for market should be illustrated in detail.

#### 2.Demonstration of independence

The independence of CTD project refers to the extent to which the CTD project relies on other projects/systems/architectures. In view of open source of blockchain technology and its external design characteristics, some CTD projects are generally implemented based on the concepts of existing projects, including design patterns, system architecture and various algorithms; accordingly, there needs to make distinctions with independent research and development achievements. Therefore, in terms of independence demonstration, the investors can make judgments on the degree of innovation, reference to design patterns / system structures of other projects, reliance on unfinished projects and development progress. On this basis, they can finally make the comprehensive judgments on the CTD model.

#### 3.Organization of development team

The development team for the CTD project plays a particularly critical role in the completion of the project. Dependencies on the team

structure is particularly important. Inappropriate structure of a team often leads to the collapse of the project. Therefore, the requirements for developers will be fully described, mainly including these aspects: whether the developers' framework can meet the requirements for product launching and iteration; whether the labor division of developers can support the entire process of the project. Further, risk due to team participation withdrawal are mitigated with token remunerations.

#### 4.Layout of intellectual property

The layout of intellectual property of the CTD project refers that a complete system for the protection of intellectual property rights should be formulated for the algorithms, modes and procedures generated in the process of project operation, including project programs represented in the form of essays, software copyrights and invention patents. The project team's protection of intellectual property reflects the team's emphasis on innovative technologies, not only preventing core technology for the project from being improperly used or even being stolen, but also increasing the investors' risks after investment.

#### 5.Capability of coping with the unexpected conditions

The open and transparent nature makes CTD projects vulnerable to unforeseen circumstances after being launched such as heavy traffic online and external attacks. If unexpected situations cannot be quickly and accurately coped with, the project is easily exposed to the cybersecurity and structural risk. Luckily, the team and advisors have significant experience launching secure projects.

#### Token risk

The most notable feature of the CTD project is that investors use Bitcoins, Ethereum and other digital currencies to subscribe to new securities issued by the project sponsor and gain the token revenues. Therefore, the price risk, circulation risk and value assessment risk of the tokens should be fully stated in the white paper for the project. The purpose is to reduce the investors' misunderstanding of the issuers. If an investor blindly makes investments without a thorough understanding of the market, they may possibly suffer from the investment losses. For this token, there are the following risks:

**(1) Price risk.** The decentralized nature of the CTD project enables the token and liquidity options to rapidly change, and its price is entirely determined by demand. The investors must be fully aware of the risks posed by the uncertainty.

**(2) Circulation risk.** With the increase in the number of CTD projects, the types of tokens increase naturally. As increased attention is paid to different tokens, there is more uncertainty in their circulation in the digital currency exchange and their probability of realization in the future application scenarios.

**(3) Value assessment risk.** Different from stocks, the value evaluation system of tokens has not been established; only the value correlations between the tokens and Bitcoins are taken as the value evaluation standard, but this valuation model still has uncertainties in cash discounting.

### Policy risk

At present, for the CTD, the whole world is sitting on the side-lines, so there is no clear regulatory measure to work out. This brings many uncertainties in the future of CTD. In Singapore, Switzerland and other countries, the test of "regulatory sandbox" is launched specifically for the companies of blockchain technology, which is a more advanced approach. The Chinese government also actively studies the application scenarios of digital currencies and blockchain technology. Therefore, with the increase of CTD projects in the market, the regulatory policies or guidance documents issued by government departments will also bring greater uncertainties in the future of CTD.

### Credit risk

With the increase of the CTD project participants, it is harder to prevent some people from trying to raise funds in the name of the blockchain project or negatively managing the project after successful financing, causing investors to suffer losses. Therefore, the investors can carry out the credit risk assessment after learning about the credit-worthiness, management ability, investment management ability, product design capability and internal control of the CTD project team through the white paper for the project. For the CTD project team, it is crucial to establish a sound internal control system, information management platform and account management system in achieving the success in the project and winning the trust of investors. The director of the Institute of Digital Currency of the People's Bank of China said, "Major technological innovations have never been the results of government planning, design and dominance. Technology shift, innovation and evolution rely on the brave trial of a few "pioneers" and spontaneous market mechanism for selecting the superior and eliminating the inferior. So, there should be an inclusive exemption for the CTD projects." Therefore, we should see the positive recognition of the CTD projects in policies. For this CTD project, the problems it faces are how to give full play to its strengths and conform to the legal norm. From the perspective of long-term development, these two problems must be solved rapidly.

### Establishing an access system for "qualified investors"

The tokens issued by sponsors for the CTD project are highly professional, technical and complicated. Investors should make investments according to their trading knowledge, trading experience, trading purpose, economic status, risk appetite, risk perception and risk tolerance. Therefore, the CTD exchange should set an upper limit for investment amount based on the basic national conditions and establish an access system for "qualified investors".

### Risk of token inflation

This risk depends on the issuer's control over the total amount of tokens issued. If the issuer deems it necessary to make further increments on the issued tokens, it will issue tokens to qualified investors in the market. Of course, such a method of issuance will, to a certain extent, lead to the dilution of original token holders, but this behaviour is subject to the restrictions from investors or exchange, so it is reasonable. This behaviour is called the "token inflation risk".

### Risk information disclosure

Information disclosure is the protection for investors' right to know. At the same time, as most small to medium investors have insufficient knowledge of risks in investment, financing and market knowledge because of their lack of expertise, the issuer should disclose the risks in the project operation in a timely manner in order to truly protect small to medium investors.

### Introducing the second-party audit

The blockchain CTD is still a relatively new industry; at present, its regulatory agencies have not yet been determined. There exist many irregularities in this industry; with the continuous increase of operating platforms, the problematic platforms have been on the rise, which are detrimental to the development of regulators, especially investors and even the industry. After the financing of blockchain CTD, the introduction of third-party audit is one of the most effective supervision methods in economic activities. The introduction of third-party audit has certain practical significance in the development of industry. The intervention of the third party helps enhance the authenticity of the CTD project issuers while reducing the risk of investors in investment failure.

### Trading risk warning

In the CTD project, the investors' level of brokerage education should be considered. Corresponding to the information disclosure of the CTD project, the investor should assume the proper obligation of "caveat emptor" or reasonable duty of care. Seeking the balance among them depends on the perfect investor education mechanism. Investors can exchange virtual currencies such as Bitcoin for CTD tokens, which are not directly used for consumption, but rather possible appreciation in the future. The risk of participating in the CTD must be higher compared to general VC. The investors should gain an in-depth understanding of the characteristics of the project to participate in, including various risks and benefits. In combination with their own financial status and investment needs, they should select a reasonable portfolio of assets; simultaneously considering the existing portfolio and how to best diversify business and micro market risks.

### Risk of losing a private key

The purchased tokens are generally stored in a digital wallet with a password determined by the purchaser. The only way of including the content in this operation address is the purchaser-associated key (i.e. a private key or wallet password). The user should be responsible for protecting the relevant private key, which is only used for signing for the transactions certifying the asset ownership. The user understands and accepts that, if the purchased tokens in the wallet are lost or damaged, it may be an irreversible act. Anyone who obtains access to the purchaser's registered email address or registered account by decrypting or cracking the password of the token purchaser will be able to maliciously claim the decentralized tokens. Each purchaser shall take these appropriate precautions to maintain the security of his/her registered email address or registered account.