

Writer: Guo Zhanzhi Clarence (DID: 6266 5420 / 9298 1844 / clarence.guo@tzedeklaw.com.sg)

Our Ref: CG.2019.0047

Your Ref:

Date: 30 January 2020

BY HAND

CHINESE MERCHANT FOUNDATION LTD.

60 Paya Lebar Road
#08-55 Paya Lebar Square Singapore 409051

Attention: Board of Directors

CHINESE MERCHANT FOUNDATION LTD. (THE COMPANY) - INITIAL TOKEN OFFERING FOR VIRTUAL CURRENCY

1. Background and scope of advice

1. We refer to the proposed "initial token offering" project (ITO) to be conducted by the Company (and/or its affiliates). We are informed that pursuant to the ITO, contributors will exchange virtual currencies for a new virtual currency (STD), which is intended to be utilised on a network to be developed and operated by the Company (or its affiliates). Further details in relation to the background are set out in Annex A.
2. We have been instructed to provide this advice solely on the question of whether the design of STD would cause it to be considered a "security" for the purpose of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**).
3. In connection with the ITO, we have been provided with the draft whitepaper, which is a nonbinding document that sets out, *inter alia*, the proposed design of STD to be issued. We are informed that the version of the whitepaper which will be finally released to contributors will be in substantially the same form as that provided in Annex A.
4. For the purposes of this advice, we have relied only on the relevant facts and documents as informed to us in Annex A and we have not considered any other issues other than that set out above. We have also not conducted any independent enquiries or due diligence in respect of the ITO and the operation of the Company (or its affiliates).
5. 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. We have also 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, or the circumstances or conduct of the ITO (other than that relating solely to the design of STD), or (c) any other secondary network token which may be issued/created in connection with the operation of STDcoin. 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. You are advised to obtain legal advice from other jurisdictions 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.

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.
7. Further, it is assumed that (a) STD and STDcoin, when developed, would meet their description in this advice and in the whitepaper, (b) there will be no material variations in STD or STDcoin from their descriptions therein which would affect our advice, (c) all services offered on STDcoin will not be illegal and the necessary approvals and licences in applicable jurisdiction will be held by the relevant parties as necessary, and (d) any notifications that have to be provided to the relevant authorities will be undertaken as required.
8. As of the date hereof, to our knowledge there has been no court case, no formal notice or regulations published by the Monetary Authority of Singapore (the **MAS**) which directly address the issues raised in this advice, save for various releases and papers. Accordingly, the MAS or a court may reach an alternative conclusion different from the one provided in this advice.

2. Advice

1. Solely considering the design of STD as set out in Annex A, we are of the view that, in itself, the design of STD:
 - (a) would not cause the issuance of STD to be considered an issuance of a debt instrument within the meaning of "debenture*" under the SFA;
 - (b) would not cause the issuance of STD to be considered the operation of a collective investment scheme;
 - (c) includes significant utility in the usage and operation of the "STDcoin" network; and
 - (d) accordingly would not cause STD to be deemed a "security" for the purpose of the SFA.
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 relied on solely for the purpose of listing STD on a virtual currency exchange. 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 faithfully,



Clarence Guo
DIRECTOR | Advocate & Solicitor
TZEDEK LAW LLC

Annex A

Background and relevant documents

1. We understand that the Company is working on developing the "STDcoin" network (**STDcoin**), which is planned to be a blockchain-based decentralized service market platform serving enterprises in e-commerce, hotels, tourism, catering and other industries.
2. Pursuant to the ITO, STD will be issued in exchange for virtual currency from contributors. We are informed that STD is a transferable representation of attributed functions specified in the protocol/code of STDcoin, and is designed to have the following features:
 - (a) STD may only be utilised on STDcoin (when fully completed and deployed) as the medium of exchange for valuable services provided in the ecosystem on STDcoin, as well as the incentive which would be consumed to encourage participants to participate in the ecosystem on STDcoin. For each exchange of services on STDcoin, the costs are to be quantified in STD and paid to STDcoin and/or the other party providing the service.
 - (b) Further, it is mentioned that users of STDcoin and/or holders of STD which did not actively participate in STDcoin will not receive any STD incentives.
 - (c) STDcoin would provide various services such as idle asset utilization, resource integration, pass payment, as well as trading services, and STD would be paid as service fees.
 - (d) STD would also be distributed as various community incentives for network participation, for example referral fees to users which introduce other users to the platform.
 - (e) STD 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.
 - (f) STD does not represent any shareholding, participation, right, title, or interest in the Company or any other company, enterprise or undertaking.
 - (g) STD is not for speculative investment, and (although STD may eventually be traded on virtual currency exchanges), there is no guarantee or representation of value or liquidity for STD.
 - (h) STD is not intended to be a representation of money (including electronic money), security, commodity, bond, debt instrument or any other kind of financial instrument or investment.
 - (i) There does not appear to be any buyback or destruction mechanism planned for STD.
 - (j) STD 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.
3. We also understand that contributions from the ITO will be applied towards the objects of, *inter alia*, advancement, promoting the research, design and development of, and advocacy for a digital asset business ecosystem incorporating cutting-edge technology and application practices, serving enterprises in e-commerce, hotels, tourism, catering and other industries.
4. STDcoin 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 STD to fiat currency.
5. The documents indicate that any conversion of STD to fiat currency will be done on third party virtual currency exchanges. It is mentioned that to the extent a secondary market or exchange

for trading STD does develop, it would be run and operated wholly independently of the Company (or its affiliates), the sale of STD and STDcoin. The Company will not create such secondary markets nor will it act as an exchange for STD.

6. From the documents provided, it appears that the sale of STD were straightforward sale transactions on a spot and unmargined basis, and such sale transaction does not have any embedded features such as derivatives or repurchase options.
7. STD 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).