

DRAFT: Token Sale Services, Scope & Pricing

Summary

| Item | Estimated Fees | Preferential Discount (~20%) | Estimated Fees (after discount) |
|-----------------------------|------------------------------------|--------------------------------|---------------------------------|
| A. AML Advisory Services | USD 62,500 - 75,000 | (USD 12,500 - 15,000) | USD 50,000 - 60,000 |
| B. HK Tax Advisory | USD 31,250 - 43,750 | (USD 6,250 - 8,750) | USD 25,000 - 35,000 |
| C. US Tax Advisory | On a cost basis, please see below. | | |
| D. US Individual Tax | USD 12,000 - 15,000 | (USD 2,400 - 3,000) | USD 9,600 - 12,000 |
| E. Transfer Pricing | USD 25,000 | (USD 5,000) | USD 20,000 |
| F. Accounting Advisory | USD 31,250 - 37,500 | (USD 6,250 - 7,500) | USD 25,000 - 30,000 |
| G. Governance | USD 31,250 - 43,750 | (USD 6,250 - 8,750) | USD 25,000 - 35,000 |
| H. Token Design & Strategy | USD 37,500 / week | (USD 7,500 / week) | USD 30,000 / week |
| TOTAL ESTIMATED FEES | *USD 193,250 - 240,000 | * (USD 38,650 - 48,000) | * USD 154,600 - 192,000 |

* Excludes advisory fee for US Corporate tax advisory and token design strategy

A. AML Advisory Services

Given the uncertainty of the regulatory environment, we will advise on a KYC/AML framework, including KYC, record keeping, suspicious transactions reporting and customer screening, in connection with the Hong Kong Co's ICO based on the AML regulatory system in Hong Kong with a focus on guidance issued by the Securities & Futures Commission. Specifically, we will:

- Conduct interviews with stakeholders
- Liaise with your staff to understand the current AML-related information held and processes (in place and/or planned), including understanding the composition of the potential ICO participant base.
- Highlight areas of regulatory focus under Hong Kong's AML-related legislation, including KYC and customer screening requirements, including screening of economic sanctions lists.
- Based on an analysis of the above, provide feedback and recommendations to address identified enhancement needs, including suggested next steps to build out a AML control framework, , including potentially enhanced controls relating to participants in any second funding round.

Estimated discounted fees: USD 50,000 – 60,000

B. Hong Kong Tax Advisory

We will outline the Hong Kong tax issues to the HK Company of issuing tokens and receiving crypto currency as consideration. In this regard, we will comment on potential lines of defense that the HK Co. may have to support that the upfront receipt of crypto currency is not taxable.

However, given the uncertainty with adopting such a position, the majority of our work will be focused on considering the ability to defer the recognition of token income for tax purposes, and at the same time exploring to what extent it may be possible to match this against the relevant expenditure that will be incurred over the period of building up the platform and whether this expenditure may qualify for outright deduction under specific provisions in the Inland Revenue Ordinance. In particular we will do the following:

- Liaise with our accounting advisory team and your legal advisors to consider whether the terms of the white paper may support the ability to defer the timing of recognition of income on the issuance of the ICO.
- Review forecasted expenditure to consider the timing of when the expenditure will be incurred and how the expenditure will be classed for profits tax purposes. For instance, if the expenditure can be classed as software expenditure the expenditure should generally be deductible as incurred. If the expenditure is instead considered in the nature of R&D expenditure the situation becomes relatively complex, and there is potentially no tax relief for the expenditure.
- If personnel are required to be relocated or seconded amongst group entities, we will advise generally on the Hong Kong profits tax implications (e.g. permanent establishment issues) and general Hong Kong salaries tax implications of such arrangements.
- If we are required to consider alternative jurisdictions for the token issuing entity, we are happy to do so and will provide a revised scope and fee accordingly.

Estimated discounted fees: USD 25,000 - 35,000*

**Our work for this phase will be advisory in nature. Any work in implementing the arrangement (e.g. reviewing and revising service agreements), or for providing detailed salaries tax advice, advice in relation to Common Reporting Standards, will be considered as part of subsequent phase of work, whereby we would separately agree with you a scope and fee.*

C. US Corporate Tax Advisory

- Advise on the potential major US tax implications of the proposed ICO structure including Controlled Foreign Corporations, Passive Foreign Investment Companies, related party transactions and tax treatments of tokens when transferred / disposed.

| Staff level | Discounted hourly rate (US\$) |
|-------------------|-------------------------------|
| Partner | 1,045 |
| Director | 880 |
| Senior Manager | 712 |
| Manager | 560 |
| Senior Consultant | 330 |
| Associate | 185 |

***Estimated discounted fees will be on a cost-basis.**

D. US Individual Tax Advisory

Advise and consult on the US individual tax implications of "Token grants" to founders and employees who are US taxpayers, including:

- Discussions with you to understand your expectations and exploring alternatives you may have in terms of timing of taxation and character of income;
- Liaise with your legal advisor on drafting any relevant grant documents and/or review relevant documentation to understand the proposed terms and conditions of the Token grant;
- Advise on possible actions to control the timing of taxation of income from granted Tokens to increase overall US tax efficiency, factoring in possible taxation in other jurisdictions and possible credit offsets; and
- Advise on necessary filings in order to manage the timing of taxation for tax efficiency.

Estimated discounted fees: USD 9,600 – 12,000

E. Transfer Pricing

PwC to advise on arm's length pricing for transactions conducted between associated enterprises in the group including:

- Determining companies involved in the group's ICO structure which may be deemed as associated according to OECD and Hong Kong's transfer pricing rules. Our efforts will focus on the relationships between the group's management company, [ICO Company] and other operating entities.
- Identifying transactions which are (planned) to be conducted between associated enterprises. According to OECD and Hong Kong's transfer pricing rules, these transactions are required to be priced according to the arm's length principle.
- Suggesting appropriate transfer pricing policies for the identified inter-company transactions using internationally accepted OECD transfer pricing principles. Please note our scope does not include any valuations work relating to intellectual property, financial assets or any other assets. In addition, our scope assumes that any transaction involving the transfer of tokens from the [ICO Company] to an associated company will be on the same basis as with third parties. If this is not the case, additional analysis will be required which is not part of this scope.

- Benchmarking to provide support for the suggested transfer pricing policies for the inter-company transactions. Our fee quote assumes that one benchmarking study will be prepared. If further studies are needed, we will provide a separate scope and fee for this. Again, please note that this scope does not include any valuations work. In addition, if transactions involving the transfer of tokens from the [ICO Company] to an associated enterprise are not on the same basis as with third parties (e.g. discounted rates offered etc.), we will propose additional scope and fees to cover the additional work which will be required.

Estimated discounted fees: USD 20,000*

Please note, the proposed scope will be based on generally accepted international transfer pricing principals and does not include transfer pricing documentation nor local country advice which can be provided separately if required.

F. Accounting Advisory Services

We will outline the key Hong Kong Financial Reporting Standards implication of issuing tokens and receiving crypto currency as consideration. In this regard, we will comment on potential accounting characterization of the upfront receipts of the ICO and its subsequent expenditure.

In particular we will do the following:

- Liaise with you and your legal advisors and review relevant documentation to understand the legal rights and obligations created between the HK CO and the token holders upon the ICO.
- Engage in discussions with you to understand various operational aspects of the project during its life-cycle, to the extent relevant to the accounting characterization of the receipts of the ICO and its subsequent expenditure.
- Explore with you and your legal advisors possible alternatives or changes to documentation, to the extent considered necessary.
- Liaise with our tax team to highlight areas where tax treatment may be impacted by the accounting treatment, or how accounting and tax treatment may differ (but details of tax treatments will be covered in the Tax report under Part (II)).

Estimated discounted fees: USD 25,000 – 30,000

**Our work for this phase will be advisory in nature. Any work in implementing the arrangement, e.g. reviewing and revising service agreements, undertaking a detailed review of forecasted expenditure to consider possible items eligible for capitalisation or commenting on future revenue streams and expenditure of the HK CO will be considered as part of subsequent phase of work, whereby we would separately agree with you a scope and fee.*

G. Governance and Controls Advisory Services

Advice on the overall governance structure for a private (for-profit) company

- Board related strategy and governance
- Board structure and independence
- Organizational structure including roles and responsibilities, etc.
- Rights of shareholder and key ownership functions

Outline framework / key considerations to be addressed by company policies and procedures (e.g. Finance, HR, procurement, Payroll, Sales, IT, etc.)

Estimated discounted fees: USD 25,000 – 35,000

H. Token Design & Strategy

Advisory throughout token sale period:

- Review and comment on token sale strategy, identify deal breakers, and recommend risk mitigation plan/actions
- Timing: Ongoing till the end of token sale (est. 8 weeks)

Estimated discounted fees: USD 30,000 / week

(Optional) Token Sale Project Management

- Co-develop token sale project plan leveraging previous successful ICO engagements
- Coordinate with all workstreams (e.g. tech, finance, sales, operation, legal, etc.) throughout the token sale period
- Keep track of key milestones and deliverables (especially those on the critical path) from each workstreams to ensure on-time delivery of the token sale project
- Monitor overall project progress and raise any red flags to management team to drive overall project effectiveness
- Timing: Ongoing till the end of token sale (est. 8 weeks)

TOTAL ESTIMATED DISCOUNTED FEES: USD 154,600 – 192,000

**Please note that this estimated amount may vary. We will be able to provide you with a more accurate estimate as the final scope of the project becomes clearer. Excludes advisory fee for design and strategy*