

White paper

Yuan Chain - An Easy Way to Build Blockchain

Yuan Foundation Ltd.

yuan.org

Draft for open community review and subject to change.

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1.Introduction

As a new generation internet based on value, the use of smart contract without the need for intermediaries, blockchain makes it possible to conduct risk-free transaction between users who have no prior trusted relationship. The blockchain is able to record user's information or transaction records such as personal information, enterprise contract, warehouse goods, property, event, and so on. User can rely on blockchain to prove creditworthiness without any trusted third party, and individuals and enterprises with good credit are more likely to get low cost financing and other social economic resources.

However, individuals and enterprises face three problems when trying to use blockchain technology: difficulty in finding application scenarios, difficulty and finding a development team that understanding blockchain technology, and difficulty in achieving a sufficiently secure blockchain. The YCC Platform aims to solve these problems by providing blockchain SaaS (software as a service). Individuals and enterprises can adopt blockchain technology and blockchain-based services with high security without expensive development costs.

The Yuan Chain platform (**YCC Platform**) is an ecosystem which includes its native public blockchain (**Yuan Chain**), alliance blockchains and private blockchains. Individuals, enterprises, and the government will be deeply involved. The YCC Platform consists of multi-layers, and every layer contains many blockchains. The YCC Platform can achieve value exchange and communication across the chain. Each user holds its own information and cooperates with other users while providing little privacy information. This avoids the centralised system and reduces the possibility of theft of personal information.

The main public chain on the YCC Platform has the advantages of high stability, ease of usage, ease of connection, and high concurrency. The public chain has the advantage of high concurrency, the alliance chain has professional standard, and the private chain is personalised and has strong privacy. There will be many blockchains on the YCC Platform, include intermediary chains, statistical chains etc. It is estimated that enterprises using the YCC Platform may reduce financing costs by more than 50%, and social administration, transaction costs will be reduced to 10% of the original or even less.

The business model of the YC Platform is outstanding, all enterprises and individuals that hold Yuan Chain Coin (**YCC**), the native cryptographic token on the YCC Platform, is a member of the community. Through the usage of YCC, users on the YCC Platform can enjoy blockchain services with lower cost, at the same time, as

the ecosystem on the the YCC Platform explains, there are a number of synergies and benefits which would develop. The centralised Internet sharing economy is bound to be disrupted by decentralised blockchain sharing economy.

It is predicted that in the next 10 to 20 years, almost all companies will use blockchain technology to set up the company, sign contracts, register digital assets, manage supply chain, logistics, sales, financing, accounting, tax and other business. The companies which do not make good use of blockchain technology will be eliminated no matter how successful presently. The YCC Platform provides a quick and easy way to incorporate blockchain technology with each user's specific application scenarios in order to keep up with the times.

2. Yuan Chain

2.1 Introduction of Yuan Chain(YCC)

The YCC Platform draws on various advantages of BTC, XRP, BTS, ETH, Hyperledger, and integrates several innovative technology to create a new blockchain network architecture. On the one hand, the performance of the public chain can exceed tens of thousands per second; On the other hand, the public chain and permissioned chain can realise information interconnection and value interconnection. The YCC Platform not only ensure the decentralised characteristics of the public chain, but also ensure the property and privacy of permitted chain.

The innovative aspects of the YCC Platform include: hot swappable smart contract, hybrid smart contract, information interconnection and value interconnection across the chain, a certain amount of free usage of services with YCC, mobile terminal private key hardware management scheme, the encryption retrieval method, data contrast and consensus method, login authentication and privacy protection, and identity authentication and management across the chain.

The YCC Platform will continue to standardise financial supply chain and credit score system, and provides SaaS (software as a service). Individuals and enterprises which purchase YCC will be entitled to a certain amount of free usage of the services on the YCC Platform. Enterprises and individuals can build their own blockchain. The business model of the YCC Platform is similar to the US warehouse 'Costco' on the blockchain: the more users join, the more efficient the economy will be and the cheaper services can be provided.

The YCC Platform had inherited the outstanding design idea or mature technology of each blockchain. In the consensus algorithm, data transmission, storage of fragmentation, block management, Mempool queuing mechanism, the order log and other aspects have made corresponding innovation practice implementation. The system on the YCC Platform has high performance and stability, in order to achieve a commercially acceptable level.

At present most of the Byzantine consensus algorithm is averaging weight consensus that the weight of each node is the same. This mechanism is similar to DPOS, however, it can solve the "nothing-at-stake" problem which first generation cryptocurrency (such as: NXT,BTS) faced. DPOS uses a simple polling mechanism; In our consensus algorithm, if an account node does something wrong, it will be rapidly recognised, and a vote called for standby nodes to takeover the role of an account node.

Different from other blockchain consensus systems, the YCC Platform provides instant, safe mobile client payment verification mode. The YCC Platform does not support fork completely, so mobile wallet can receive real-time transaction confirmation, as to truly achieve on the smartphone.

Different from other blockchain systems with only one chain, the YCC Platform has the main chain and various child chains. The main chain provides a routing functions, which can realise value exchange across the public chain, alliance chain, and the private chain. The design of the main chain is as simple as possible, and can be horizontal extended, while the design of the child chain is as specific as possible, e.g. a child chain can be designed to realise smart contract of Ethereum, or a child chain can be designed to support the Bitcoin UTXO model. These child chains can transfer value without risk.

2.2 Technology advantages

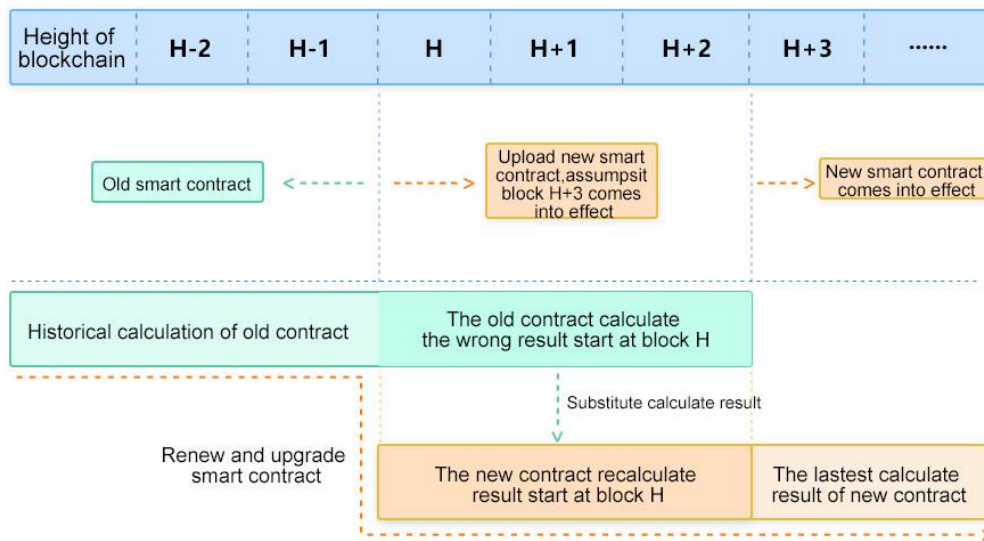
Performance: The performance of the public chain can exceed tens of thousands per second, the performance of the alliance chain and the private chain can reach up one hundred thousand per second;

Function: The YCC Platform can realise trading with public chains (e.g. Bitcoin, Ethereum) across the chain, and realise information interconnection and value interconnection with permissioned chain. The YCC Platform can assist permissioned chains to offer more specialised blockchain function, and meet the requirement of privacy protection.

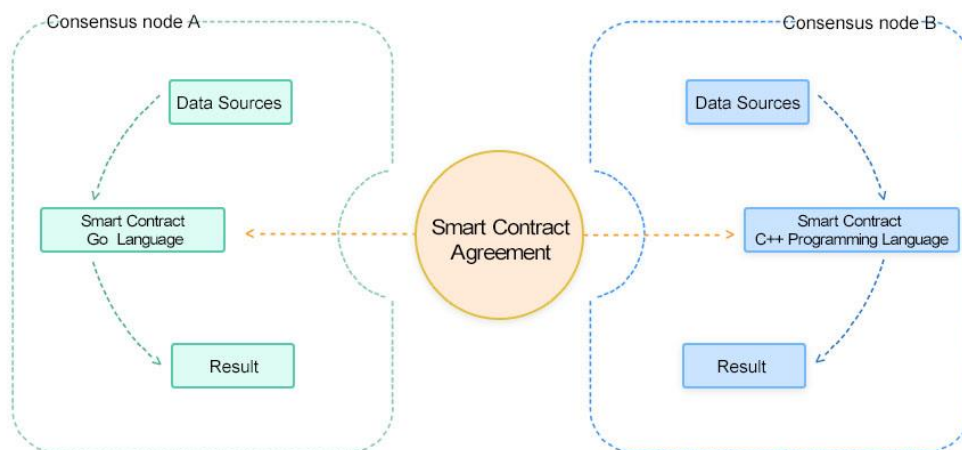
Target: Make more enterprises use the shared resources available on the YCC Platform, in order to greatly improve operational efficiency and reduce costs.

The system on the YCC Platform has several advantages: safety, ease of use, green, classification, scale, privacy, high frequency, free.

- 1) Hot swappable smart contract. The smart contract on the YCC Platform can upgrade (hot swappable), because smart contract owners can update the contract address through registry when system is operating (no need to shut down the node). The caller of a smart contract must obtain the address of the smart contract via registry. The access control can be added if necessary to allow only authorised access to certain restricted smart contract. Each permissioned child chain uses this similar design pattern and define its own Registry contract and similar access control policy.



- 2) Hybrid smart contract. The Ethereum Parity bug caused 150,000 ETH (worth approximately \$30 million) to be stolen. In different node, an application on the YCC Platform may use a smart contract which has the same rules but written with different code (such as write smart contract with different coding languages, or write smart contract by different developers). As long as they have the same rules, the smart contracts should generate the same result.

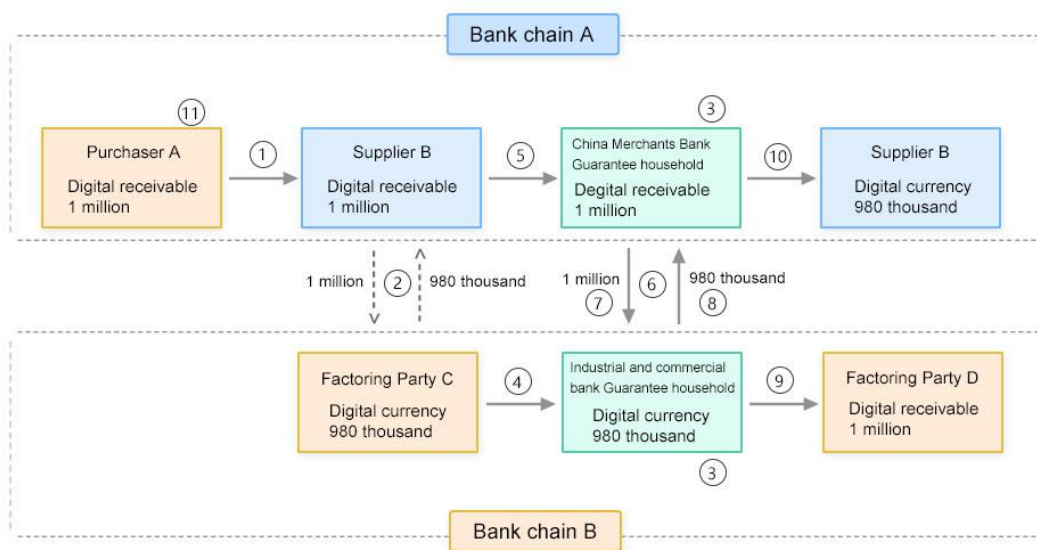


- 3) Mainstream development coding languages are supported (JAVA, GO, etc.) to write smart contract, so that blockchain developers can get started easily. Smart contract modular development. Reduce the difficulty of developing

smart contract without reducing flexibility. The Foundation will improve blockchain smart contract technology in various fields, and make the blockchain technology faster serve for enterprises, reducing costs and enhancing the level of business. The Foundation will independently develop docker-based automated operation tools to deploy and maintain blockchain applications; The function of monitoring to manage the full life cycle of blockchain applications.

- 4) Enterprise Deployment and Operation. The YCC Platform will be designed for business from the start. Business operations require reliability, security, uptime and integration to existing systems. The YCC Platform provides the turnkey solution at the SaaS layer so that business only needs to use configuration instead of costly software development consulting fees to deploy a SaaS application. At the network layer, the YCC Platform is designed to support both public cloud deployment and private cloud deployment as well as a hybrid public/private cloud deployment. The YCC Platform can leverage site to site VPN, leased line (专线) and other secure networking technology to deploy the permissioned child chains. The communication between permissioned child chains and public main blockchain on the YCC Platform can be encrypted via TLS. Furthermore, even within the same permissioned child chain, the communication between peers can be also encrypted depending on the business needs of that child chain.
- 5) Identity and access management. Each permissioned child chain must have its own way of defining identity for the users on the chain. This is necessary for KYC (know your customer) and also for the permission to access any resources on the permissioned child. Unlike R3 Corda or HyperLedger Fabric, the Yuan Chain does not use a single root Certificate Authority (CA) since this CA itself is the centralised weak point. The YCC Platform allows each permission child chain to have its own identity and access management. For example, one child chain can use Microsoft Active Directory to manage its identity and another child chain can use IBM LDAP server to manage its identity. Each identity on the permissioned child chain will have a unique identity on the main Yuan Chain. The identity ID of the main chain can be inferred from the child chain, but not the other way around. This is to ensure the privacy of identity ID on the child chain and allow the main chain to authenticate the identity ID.
- 6) The YCC Platform includes the public chain, alliance chain, private chain, and can enable unrestricted circulation of digital assets and digital currency on these three chains. All users can build their own private chain to protect

their own privacy, at the same time, they associate with alliance chain to ensure the data cannot be tampered with and can be verified. Through communication with alliance chain, private chain quickly to deal with other enterprises, greatly reduce transaction costs. Now China has 40 million enterprises in which small and medium-sized enterprises accounted for 99%, and they contribute 60% of China's GDP. In 2016, the loan balance of whole society in the real economy is about 100 trillion, the estimation of small and medium-sized enterprise financing gap will more than 50 trillion. Because of the lack of credit, small and medium-sized enterprise is under the double rate, through technology on the YCC Platform is expected to significantly improve the ability of financing.



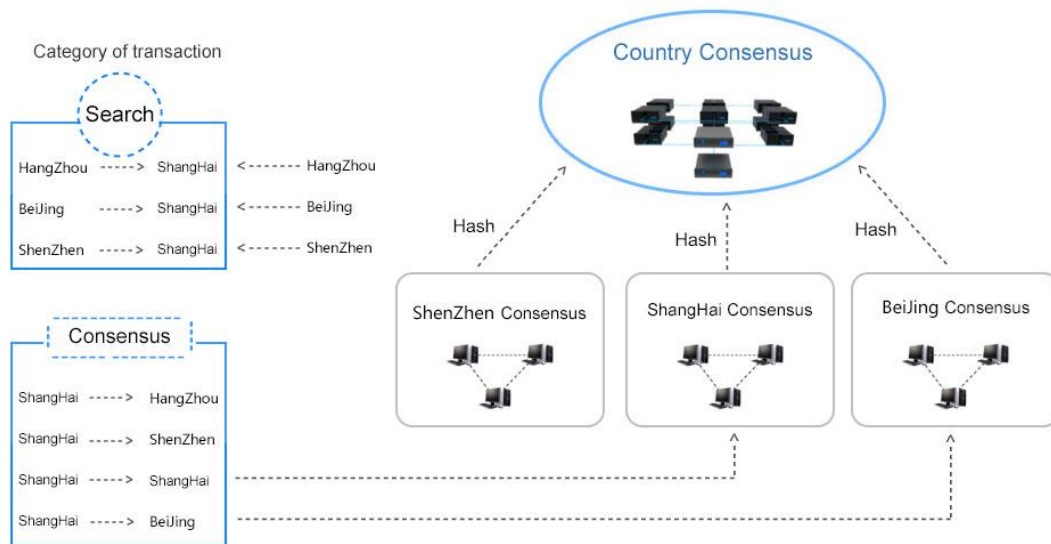
7) Performance of Yuan Chain. Yuan Chain achieves high performance using the following techniques:

- Due to the fact that most transactions on the network on the YCC Platform occur in the permissioned child chain, and the fact that each participant on the blockchain is authenticated. The permission child chain can use high performance Raft algorithm or other high performance validation algorithm, which does not compromise security.
- Each permissioned child chain is segregated and independent. There is no direct invocation or synchronised calls allowed between child chains (as described below, the communications between child chains are asynchronous via queues and must be coordinated via main chain). This segregation and independence allows for transactions be executed in

parallel in child chains.

- Similar to Plasma approach (<https://plasma.io/>) the YCC Platform can use MapRedcue algorithm to further improve the performance.

8) Parallel technology is widely used in the YCC Platform, and it is designed to incorporate FPGA or ASIC technology to speed up the ability to deal with the data of blockchain. The smallest block time interval in the YCC Platform is 5 ms; and using technologies such as hardware acceleration this is expected to reach within 1 ms. The application of high frequency blockchain technology is used widely. In addition to financial market which has high frequency and high concurrency, intelligent robot, industrial 4.0, big data processing cannot leave the blockchain technology.



9) According to the amount of YCC held, the task of verifying and validating transactions on the YCC Platform (i.e. "mining") is delegated to the mining consensus nodes, which will be incentivised by the payment of YCC when this task is completed. Mining fees include interest, flow lines, tax deduction, r&d(reseach and development) fee and other fees. Unused flow lines will automatically reduce in proportion, tax deduction can be used to deduct taxes, r&d fees and other fees can only used to pay for the institutions and the organisations which blockchain vote to. Rules for the payment of fees can be decided by voting.

10) Security innovations: Identity authentication and management across the blockchains (public chain and licensing chain), the node server's behavior and fingerprint identification equipment, and anti-attack algorithm(double

spending attack, grinding attacks, transaction denial attacks, Desynchronisation attacks (ie. Eclipse attacks), bribery attacks, long-range attacks, nothing at stake attacks, past majority attacks, selfish-mining).

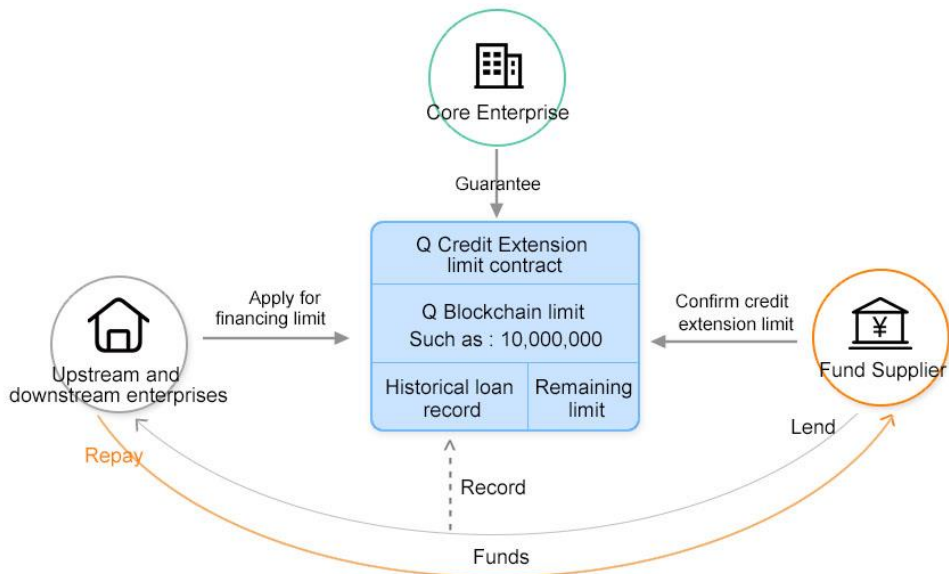
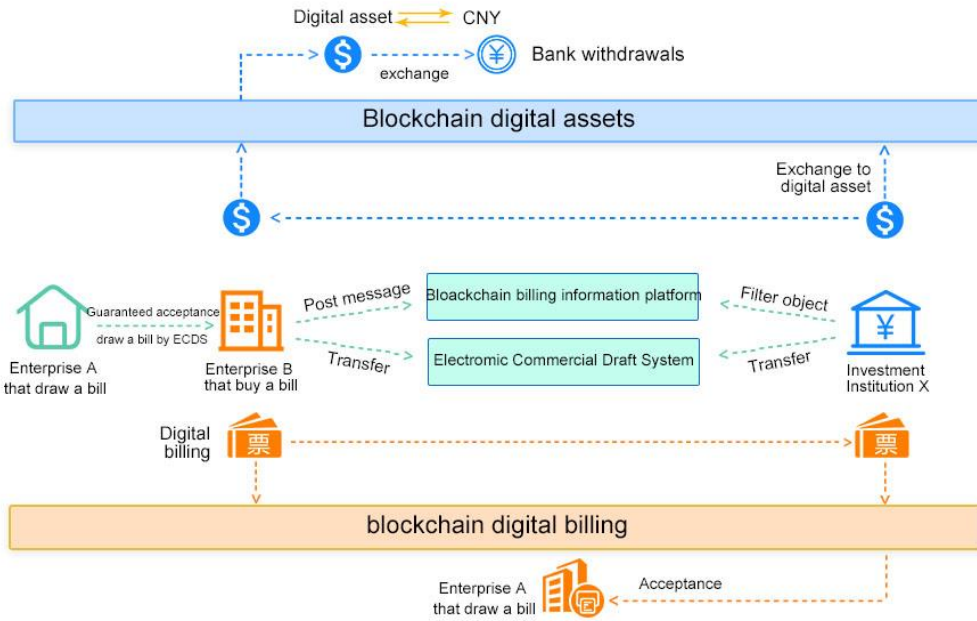
11) Interchain Communication. The permissioned child chain can setup some sort of information channel between them. For Yuan Chain, transactions executing in a permissioned child chain are (according to the logic of that chain) able to effect the dispatch of a transaction into a second permissioned child chain or, potentially, the main Yuan Chain. Like external transactions on production blockchains, they are fully asynchronous and there is no intrinsic ability for them to return any kind of information back to its origin. To ensure minimal implementation complexity, minimal risk, these interchain transactions are effectively indistinguishable from standard externally signed transactions. The transaction has an origin segment, providing the ability to identify a permissioned child chain, and an address which may be of arbitrary size. Unlike common current systems such as Bitcoin and Ethereum, interchain transactions do not come with any kind of "payment" of fee associated; any such payment must be managed through negotiation logic on the source and destination permissioned child chain. Interchain transactions are resolved using a simple queuing mechanism based around a Merkle tree to ensure fidelity. It is the task of the main chain delegate (in the sense of DPOS) to move transactions on the output queue of one child chain into the input queue of the destination child chain. The passed transactions get referenced on the main chain, however are not main chain transactions themselves.

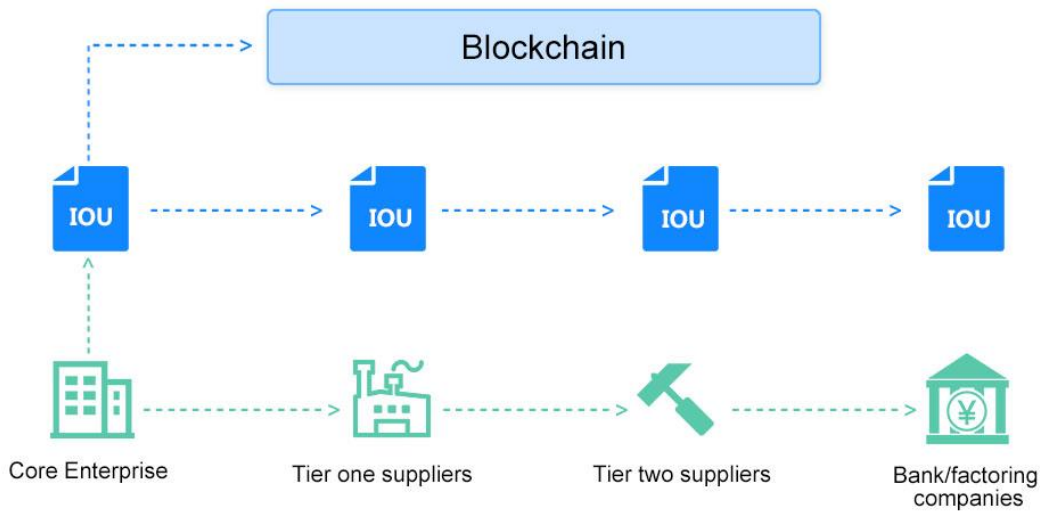
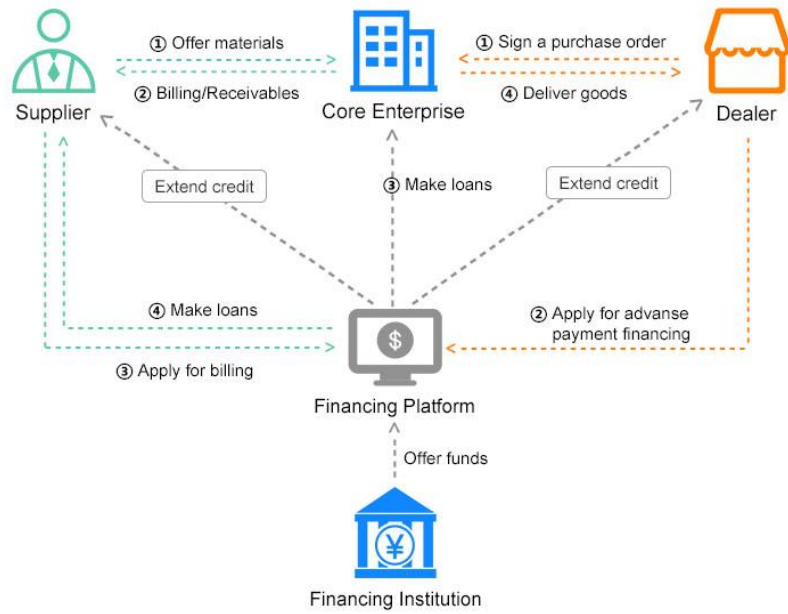
12) Oracle. Oracles are the link between on chain and off chain information. Oracles provide information such as interest rates, exchange rates or any other information which forms a key element of a contract. The information provided is signed, ensuring that parties to the transaction can verify its source. It is immutable giving the assurance both during the transaction, and in case of later audit or dispute.

Oracles operate in a commercial manner that assures they can receive payment for their services.

2.3 Application scenarios

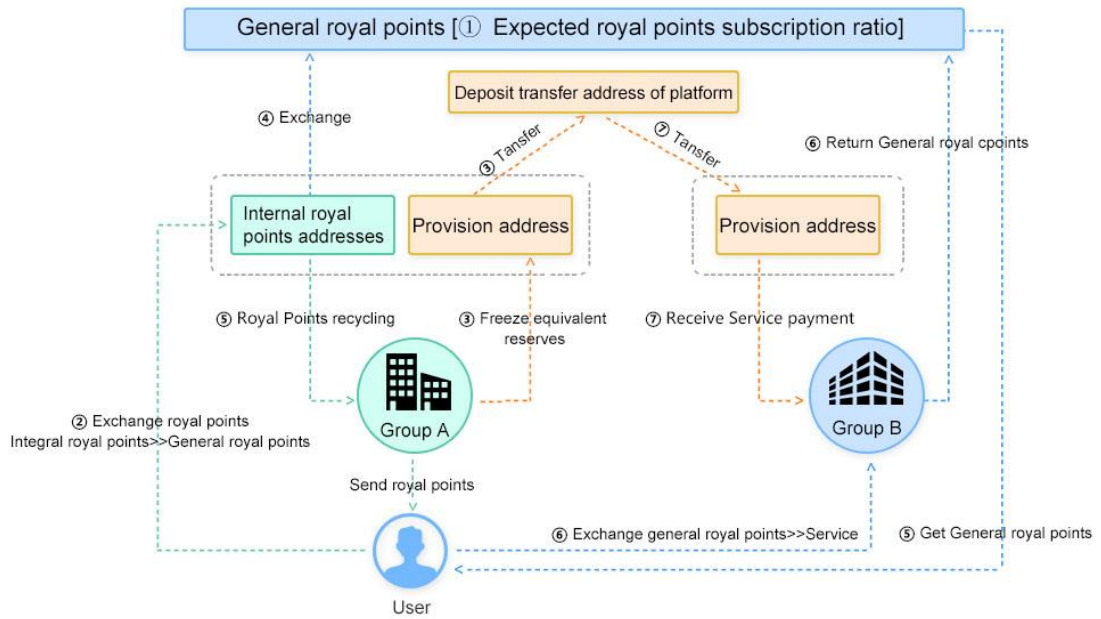
1) Supply chain finance: bill financing, credit financing, receivable financing, warehouse receipt pledge financing, etc.



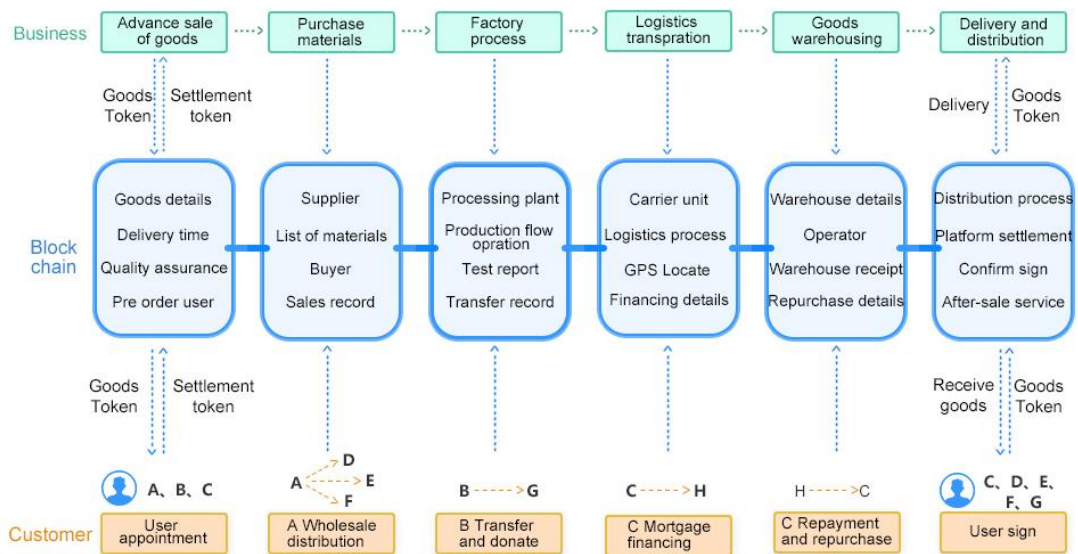


Digital ious, flowing on the blockchain of supply chain finance

- 2) Establish global credit score system by using public chain and permissioned chain multilayer blockchain technology.

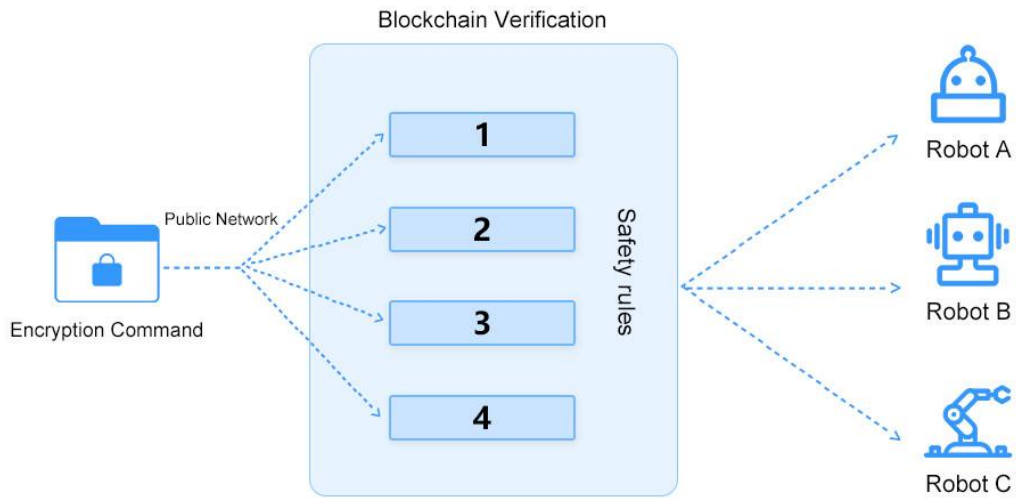


3) Goods orders, design, procurement, manufacturing, blockchain delivery management.



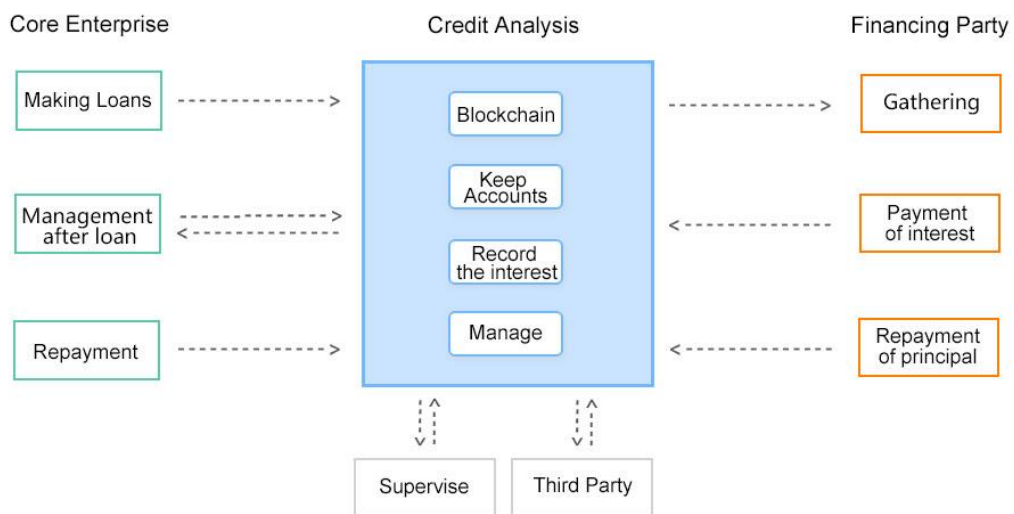
4) Industrial robots 4.0 blockchain security command system.

Safety control of robot

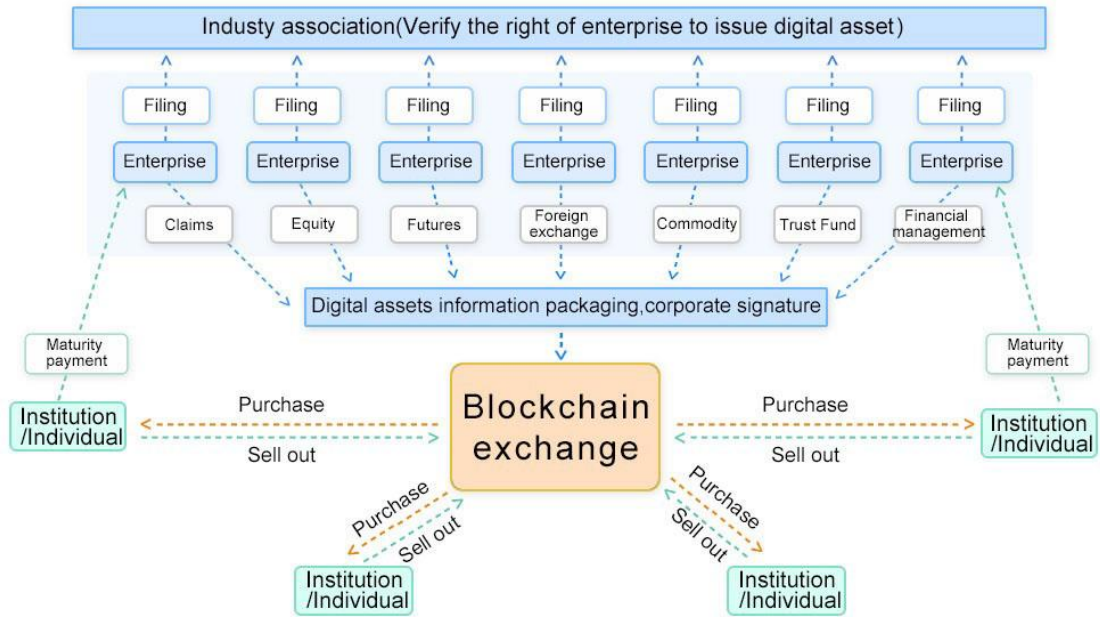


- 5) Issue tokens on the blockchain of assets and liabilities, real-time financial audit system.

Accounting Platform



- 6) Agricultural products trace-ability, engineering management trace-ability.
 7) Medical, health, education blockchain.
 8) Blockchain exchange, stock equity, creditor's rights, futures, foreign exchange, commodities.



- 9) Government affairs blockchain, identity management, industrial and commercial registration, taxation.

3. The native cryptographic token on the YCC Platform (YCC)

3.1 Introduction to YCC

The native cryptographic token to be used on the YCC Platform ("YCC") is another major component of the ecosystem on the YCC Platform.

YCC is designed to be used solely on the YCC Platform, which token is required as the virtual crypto "fuel" for using certain designed functions on the YCC Platform (such as receiving services, running smart contracts, executing transactions and running distributed applications on the YCC Platform). This mechanism provides the economic incentives which will be consumed to encourage participants to contribute and maintain the ecosystem on the YCC Platform. Computational resources are required for running various applications and executing transactions on the YCC Platform and nodes are required to verify and validate these transactions. Users of these applications will be required to pay for the consumption of these resources and services to incentivise their production by other users (i.e. "mining"), and YCC will be used as the unit of exchange to quantify and pay the costs of the consumed resources. YCC is an integral and indispensable part of the YCC Platform, because in the absence of YCC, there would be no common unit of exchange to pay for these costs, thus rendering the ecosystem on the YCC Platform unsustainable. It is contemplated that as more users which join the YCC Platform to provide shared resources, the more efficient the entire economy will be and the lower the unit cost of such resources. A larger number of users would also allow stimulate interactions and transactions of information and value between users on the YCC Platform.

YCC is a non-refundable functional utility token which will be used as the unit of exchange between participants on the YCC Platform. YCC does not in any way represent any shareholding, participation, right, title, or interest in the Foundation, its affiliates, or any other company, enterprise or undertaking, nor will YCC entitle token holders to any promise of fees, revenue, profits or investment returns, and are not intended to constitute securities in Singapore or any relevant jurisdiction. YCC may only be utilised on the YCC Platform, and ownership of YCC carries no rights, express or implied, other than the right to use YCC as a means to enable usage of and interaction with the YCC Platform.

In particular, you understand and accept that YCC:

- (a) is non-refundable cannot be exchanged for cash (or its equivalent value in any other virtual currency) or any payment obligation by the Foundation or any affiliate;
- (b) does not represent or confer on the token holder any right of any form with respect to the Foundation (or any of its affiliates) or its revenues or assets, including without limitation any right to receive future revenue, shares, ownership right or stake, share or security, any voting, distribution, redemption, liquidation, proprietary (including all forms of intellectual property), or other financial or legal rights or equivalent rights, or intellectual property rights or any other form of participation in or relating to the YCC Platform, the Foundation and/or its service providers;
- (c) 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;
- (d) is not a loan to the Foundation or any of its affiliates, is not intended to represent a debt owed by the Foundation or any of its affiliates, and there is no expectation of profit; and
- (e) does not provide the token holder with any ownership or other interest in the Foundation or any of its affiliates.

The contributions in the token sale will be held by the Foundation (or its affiliate) after the token sale, and contributors will have no economic or legal right over or beneficial interest in these contributions or the assets of that entity after the token sale.

To the extent a secondary market or exchange for trading YCC does develop, it would be run and operated wholly independently of the Foundation, the sale of YCC and the YCC Platform. The Foundation will not create such secondary markets nor will it act as an exchange for YCC.

3.2 The distribution of YCC

In order to support the objects of the Foundation (including design, development, promotion, marketing and ecosystem development of the YCC Platform and Yuan Chain), the Foundation will conduct a sale of YCC. The purchase of YCC is entirely voluntary, and purchasers bear all related risks on their own account.

The original chain has issued a 10 billion ERC20 format YCC. They would be converted once the official purse is on line. Every 1 second, the YCC Platform will

generate an additional block which creates 15 YCCs. Every year, the YCC Platform will create 473,040,000 YCCs. These YCCs will be distributed to miners who assist with block verification and/or contribution of computing resources (60%, of which 10% will be distributed to providers of mining resources) and the Foundation (40%).

The initial supply of YCC will be distributed as follows:

Early contributors: 1 billion YCC, which will be locked for periods ranging from 1 month to 12 months.

Technical Department: 2 billion YCC, of which 2% will be released monthly after completion of the crowdsale of YCC.

Business Team: 1.5 billion YCC, of which 2% will be released monthly after completion of the crowdsale of YCC.

Enterprises using YCC: 2 billion YCC, which will be sold to users who are deploying their operations on the YCC Platform. YCC may be used on the YCC Platform immediately after purchase, but transfers will be locked for periods ranging from 2 months to 36 months.

Public Welfare: 1.5 billion YCC, which will be contributed to support public service projects and public welfare contributions (e.g. education, medical treatment, pension, etc.)

YCC team : 2 billion YCC, which will be locked for periods ranging from 1 year to 50 years.

The above time is calculated according to January 2018.

4. Introduction of YCC team

Paul: graduated from Zhejiang University, graduate student, focusing on control theory and control engineering; ever worked for HUAWEI, Motorola and Alibaba. He believed that technology change the world and technology create the future. He has been putting eyes on the development of digital currency and block chain, and actively participating in it for many years. He believes that block chain technology will improve the efficiency of social collaboration more deeply.

AndyYuan: worked for Oracle Software for many years, senior software engineer. Since 2014 studying block chain technology such as Bitcoin, Ethereum, Stellar, Fabric, Siacoin and so on. In 2017, he joined Yuan Chain community, engaged in the research of the block chain, and participated in developing projects of block chain applications for several world top 500 enterprises .

Augustine: worked for CITIC Securities, Tianxiang Investment Consulting. He has over 10 years of experience in the financial industry, good at macroeconomic analysis, familiar with all kinds of capital market business. He has a unique and profound understanding of business of bill & inter-bank and supply chain financial services.

Jacky: master of Finance at University of Amsterdam and Bachelor of Economics in economics from Tilburg University. He has a profound understanding of finance and economics. He has ever worked as senior manager of US Dow bank hedge fund. As Bitcoin enthusiasts he was involved in multiple project of block chain. He is now responsible for the global brand promotion of Yuan Chain.

Maggie: once served for Alibaba for 13 years, with rich experience in operation on internet. He is good at membership operation and financial product operation. He has been successfully responsible for many large projects, such as the mayor summit, the foreign trade circle meeting, and so on. He is familiar with the operation process of large-scale activities and has a unique and profound view on the online and offline operation and marketing.

5.Introduction of Advisory group

Lianjin Huang(Ken), CEO and founder of Distributed Business Applications;

former lead architect on Blockchain in Huawei;

Member of the ACM practitioners Board;

The blockchain expert member of China electronics association;

CISSP (ISC registration information system security expert)

Ken has worked with CGI Federated Company for more than 18 years, and worked as CGI Security Technical Director, CGI Cloud Security Director and Lead Security Architect. He created the CGI Federal Identity Management and Network Security Competence Center. At the time of CGI work, he has provided expert advice on finance, blockchain, security, identity authentication and access management to the US federal government, financial institutions, and utility companies.

Chunyang Li, investment director of Delong Capital, bachelor of Beijing University of Aeronautics and Astronautics, doctor of institute of Microelectronics, Chinese Academy of Sciences. He has worked in the China National Bank's sovereign investment fund, Tsinghua Industrial Fund, Putuo Capital, now he works as investment director of Delong Capital, and he is one of the core users of LISK Application Chain, as well as the partner of Elite Fund. Li has deep experience in private placement investment, and he put his focus on TMT, blockchain and other fields of investment.

6. Development plan

- In January 2018, release the Yuan Chain token based on the Ethereum ERC20 agreement, which can be stored and transferred in a wallet similar to imToken;
- In July 2019, release version 1.0, functionalities include:
 1. Release YCC assets and wallets to complete the Yuan Chain's basic framework;
 2. Realize multi-chain systems and cross-chain asset exchange;
 3. Realize the basic framework of SaaS and IaaS, and realize the point SaaS platform and the point IaaS system;
 4. Realize the supply chain financial SaaS platform and IaaS system respectively and build a complete ecosystem software for supply chain finance.
- In January 2020, release version 2.0. It will provide the complete ecosystem of supply chain system, traceability system, contract system and certificate system.

7. Risks

You acknowledge and agree that there are numerous risks associated with purchasing YCC, holding YCC, and using YCC for participation in the YCC Platform.

7.1 Uncertain Regulations and Enforcement Actions

The regulatory status of YCC and distributed ledger technology is unclear or unsettled in many jurisdictions. It is impossible to predict how, when or whether regulatory agencies may apply existing regulations or create new regulations with respect to such technology and its applications, including YCC and/or the YCC Platform. Regulatory actions could negatively impact YCC and/or the YCC Platform in various ways. The Foundation (or its affiliates) may cease operations in a jurisdiction in the event that regulatory actions, or changes to law or regulation, make it illegal to operate in such jurisdiction, or commercially undesirable to obtain the necessary regulatory approval(s) to operate in such jurisdiction.

After consulting with a wide range of legal advisors and continuous analysis of the development and legal structure of virtual currencies, the Foundation will apply a cautious approach towards the sale of YCC. Therefore, for the crowdsale, the Foundation may constantly adjust the sale strategy in order to avoid relevant legal risks as much as possible. For the crowdsale, the Foundation is working with Tzedek Law LLC, a boutique corporate law firm in Singapore with a good reputation in the blockchain space.

7.2 Competitors

It is possible that alternative networks could be established that utilise the same or similar code and protocol underlying YCC and/or the YCC Platform and attempt to re-create similar facilities. The YCC Platform may be required to compete with these alternative networks, which could negatively impact YCC and/or the YCC Platform.

7.3 Loss of Talent

The development of the YCC Platform depends on the continued co-operation of the existing technical team and expert consultants, who are highly knowledgeable and experienced in their respective sectors. The loss of any member may adversely affect the YCC Platform or its future development.

7.4 Failure to develop

There is the risk that the development of the YCC Platform will not be executed or implemented as planned, for a variety of reasons, including without limitation the event of a decline in the prices of any digital asset, virtual currency or YCC, unforeseen technical difficulties, and shortage of development funds for activities.

7.5 Security weaknesses

Hackers or other malicious groups or organisations may attempt to interfere with YCC and/or the YCC Platform in a variety of ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. Furthermore, there is a risk that a third party or a member of the Foundation or its affiliates may intentionally or unintentionally introduce weaknesses into the core infrastructure of YCC and/or the YCC Platform, which could negatively affect YCC and/or the YCC Platform.

7.6 Other risks

In addition to the aforementioned risks, there are other risks (as more particularly set out in the Token Purchase Agreement) associated with your purchase, holding and use of YCC, including those that the Foundation cannot anticipate. Such risks may further materialise as unanticipated variations or combinations of the aforementioned risks. You should conduct full due diligence on the Foundation (and its affiliates), the YCC team, understand the overall framework and vision for the YCC Platform prior to purchasing YCC.

Yuan Foundation Ltd.

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