# Litepaper

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LUXFI

World's 1<sup>st</sup> Luxury Asset-Backed NFT Marketplace



# Litepaper 2021

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# Introduction

# **Blockchain Technology and the Luxury Sector**

Functional blockchain technologies have now been around for over a decade. A wide range of innovative use cases and implementations for blockchain applications and platforms have permeated various technological sectors. Individuals, enterprises and even governments are looking to leverage distributed ledger technology, with only minor technological issues and public perception standing in the way of true global adoption.

As we're fast approaching a new era of democratization on the internet, the capacity for blockchains to offer pragmatic solutions to real-world business and governance issues is being put to the test. Sustained security and increased interoperability will be key in attracting the next wave of adopters.

Over the last twenty years, the market for personal luxury goods has grown to its current valuation at approximately \$4 trillion. Today it exists all over the world in the form of jewelry, bags, accessories, clothing apparel and more, with brand histories that sometimes date back centuries. However, in its current state the luxury market is highly fragmented and plagued with issues such as counterfeiting, illiquidity and a lack of standardized pricing for pre-owned items.

Blockchain technology can create a trustless and verifiable system able to accurately track the life cycle of luxury items and the brands that manufacture them. By focusing on potential counterfeiting issues, such a system would make for more transparent relationships and transactions between buyers and sellers. This solution can drive new brand engagement and further expand the reach of the luxury goods market. Through storing transparent and verifiable information on an immutable ledger, customers can buy, collect and sell items with a guarantee that every piece is genuine, made from sustainable materials and created by people who take real pride in working for their brands.



Blockchains are the missing piece in the luxury market puzzle; they allow for the creation of physical-to-digital links between goods and their digital identities. A seal or serial number acts as the physical identifier, linking back to the product's 'digital twin'. This digital identity is what brands are currently betting on, and it's on the micro scale that experts are expecting blockchain to make a real difference. Looking forward, luxury brand retailers will play an important role as verifiers, committing themselves to sell products linked to digital identities, fostering trust from the customer's side and improving the customer-brand relationship.

Using blockchain technology the entire lifecycle of any product can be monitored and tracked with a decentralized, tamper-proof digital ledger, all while maintaining the owner's privacy and security.

# To fully capture this potential, we created LuxFi.

LuxFi uses Non-Fungible Tokens (NFTs) to represent real-world luxury assets. The authenticity of luxury and retail goods is captured, recorded and stored on LuxFi's Luxury Asset Registry as NFTs. These NFTs act as blockchain-secured proof of authenticity certificates containing product metadata. These NFTs can then be used as collateral for lending, traded in auctions, fractionalized for fundraising or held as digital collectibles within the ecosystem.

uxFi is the world's first asset-backed NFT marketplace for luxury assets, where people can buy, sell and invest in luxury assets using cryptocurrencies and traditional payments. LuxFi aims to offer a sustainable ecosystem for all the actors in the luxury industry and unlock the true value of luxury assets.



# **Aidaa Wong** CEO & Founder of LuxFi



# **Founder Introduction**

LuxFi is backed by the proven expertise and vast experience of our governing team, spearheaded by **Aidaa Wong**.

Aidaa Wong has a deep understanding of the luxury and fashion sectors having studied Fashion Design at Central Saint Martins in London and acquiring a master's degree in Fashion Womenswear from the Royal College of Art in London. After working as a fashion designer in Italy for Max Mara Fashion Group, she went on to help several fashion groups establish their brands in both Hong Kong and Mainland China. Having received several invitations to appear as guest art director and guest stylist for multiple renowned international fashion magazines, and with more than 11 years of experience with luxury brands and fashion under her belt, Aidaa is now a widely regarded figure in both industries.

She was a serial entrepreneur in various companies engaging in AI, big data, and blockchain technologies to solve the pain points for brands and retailers. In 2016, she co-founded Luxsens – a blockchain-based data intelligence system. Leveraging AI and big data for automated data collecting and data processing, the data intelligence system analyses millions of data points from global sales channels and social media platforms to uncover hidden patterns, unknown correlations and unravel deeper data-driven insights about personal luxury goods, so brands and retailers can make the best decisions. She then worked on a Layer-2 blockchain network which enables anti-counterfeiting traceability, seamless and secure data sharing within the network for product authentication, the right to read the data on the Layer-2 blockchain network that can be made public or restricted to the authorized participants. In addition, it enables better speed and scalability of the network that combines on-chain and off-chain services.

# **Mission Statement**

uxFi's mission statement is to unlock the true value of real-world luxury assets by leveraging blockchain technology to provide transparency, easily verifiable authenticity and increased liquidity for both merchants and consumers. LuxFi aims to create a marketplace where anyone can create NFTs that are backed by real-world luxury assets to be used for buying, selling and investing in the LuxFi ecosystem.

# Market Opportunity

# Challenges

The luxury goods industry is struggling to cope with a massive influx of counterfeit items and the persistent issues surrounding proof of ownership. However, these are not the only challenges that brands and consumers are facing. As customers shift towards more ethical supply chains there is more pressure on brands to track a product's full lifecycle and identify unethical manufacturing practices. As this global awareness continues to increase, luxury brands are looking for ready-to-implement, scalable solutions in order to remain both in vogue and profitable.



### No benchmark price for pre-owned items

The lack of a transparent, standardized fair-pricing index means that systems currently provide a subjective measure of value, absence of other mechanisms that can help confirm an asset's price. As a result, there are no benchmark prices for pre-owned luxury items and prices differ greatly between different countries and sales channels, so owners do not know the true value of the assets they are holding.



### Counterfeiting

Counterfeiting is one of the key concerns when buying luxury assets in the secondary market that threatens to destabilize the entire sector. According to some reports, counterfeit luxury items could be costing consumers as much as \$450 billion each year. Increasing circulation of counterfeits globally is a driving factor behind traditional financing services not accepting luxury items as loan collateral.



### Real value has not been unlocked

Luxury assets and collectibles have high resale value in general but they are usually idle and not circulating.

Consumers are becoming increasingly conscious of where their luxury goods are coming from. According to the 2015 Nielsen Global Corporate Sustainability Report, approximately 66% of respondents indicated that they were willing to pay more for sustainable goods. However, there is currently very little consumers can do to verify the origin of a product. Merchants and consumers alike are finding difficulty when trying to track the life cycle of goods from material sourcing to production and later circulation in the market. As a result, countless luxury items with high resale value are sitting idle.



### Illiquidity

It is too slow to convert luxury assets into cash, and traditional financing services do not accept luxury items as loan collateral.



# Solutions

LuxFi provides innovative solutions to all aforementioned challenges.



# **Product Information Is Stored on Blockchain**

Once the item is authenticated or is produced, a digital profile that contains metadata and history is created, which is permanently stored on blockchain for product verification and source traceability.



# **Real-world Asset is Physically Tied to NFT**

For finished products, Product Fingerprint Technology is used to link each physical asset with its virtual asset. For the products we directly work with brands and manufacturers, we use an anti-forgeable NFC chip inside each product. An NFT card containing a unique QR code is created so users are able to constantly track the history and information of the assets.



# Real World Data Benchmarks Asset Value

Real-world data of the same items is collected from global sales channels and social media platforms for each NFT pricing.



# Asset-backed NFT Marketplace

A NFT marketplace for anyone to convert real-world luxury assets into NFTs for trading, investment and various uses of asset-backed NFTs in LuxFi ecosystem.



# Multi-chain Technology Is Used For Various Use Cases

NFTs that are minted on our network can be used in various use cases in LuxFi ecosystem, such as our own asset-backed NFT marketplace, other gaming platforms and different DeFi solutions to increase liquidity of the real-world assets.



# The Future of The Luxury Industry with NFTs

Over the last twenty years, the market for personal luxury goods has grown to its current valuation at approximately \$4 trillion. Today, it exists in various forms all over the world such as jewelry, bags and accessories, clothing apparel, and more that could date back years or even centuries. In its current state, the luxury market is highly fragmented and plagued with issues of counterfeiting, unfair working conditions and unethical sourcing of raw materials.

The blockchain innovation could tackle the future challenges in the real-world luxury industry which include counterfeiting, illiquidity and asset price fluctuations.

The past months have been filled with multiple promising blockchain-related projects from luxury brands including Gucci, LVMH, Prada and Cartier blockchain consortium, and more recently Dolce & Gabbana with its first collection of NFT wearables.

While the luxury goods industry is performing relatively well despite the world uncertainties and crises, LuxFi sees an opportunity to further explore its possibilities. Here's how the future of luxury goods could be shaped with the help of LuxFi. Although NFT was first disruptive to the world of Art and Design, LuxFi now considers it as the new trend and an opportunity for luxury brands. Throughout the digital ages, the world is shifting into a place in which blockchain would complement various industries and online services. The benefits in terms of transparency, immutability, authenticity and traceability on such platforms prove to be some of the most important factors in persuading luxury goods companies to adopt blockchain into their brands strategy.

Moreover, luxury brands are starting to think that NFTs hold great potential in revolutionizing the luxury goods industry. NFTs bring security, authenticity and transparency into the industry. It combines democratization, decentralization and demystification of assets onto one platform. Therefore, more and more luxury brands are building partnerships with different blockchain companies to integrate NFTs into their system.

The main goal is to serve consumers with transparency and traceability during the whole lifecycle of a luxury item. On a global scale, blockchain can support sustainable practices with tremendous advantages and entirely redefine customer experience. LuxFi aims to build a secure and decentralized ecosystem and provide to the luxury industry a safe place for assets and owners.

LuxFi NFT marketplace will offer luxury retailers and asset owners new ways to meaningfully engage their buyers online and dramatically increase asset liquidity and value.

# **Business Model**

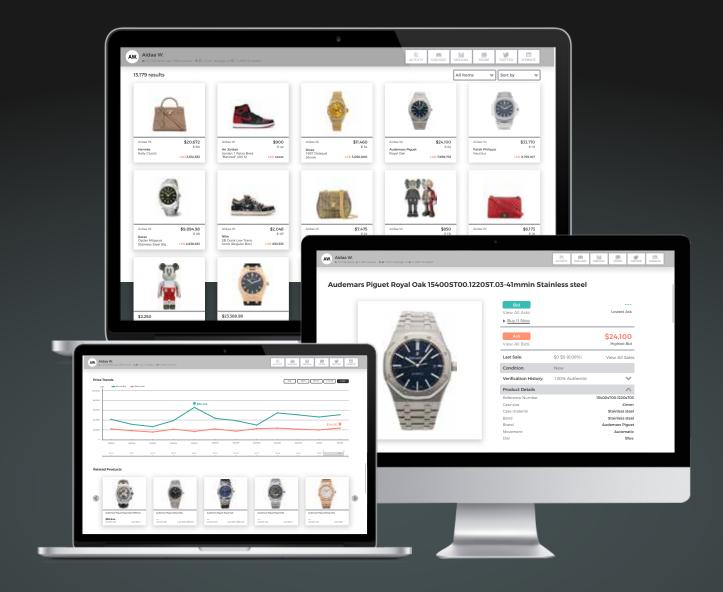
LuxFi will launch a NFT marketplace backed by real-world luxury goods. We leverage our big data intelligence system and unique algorithm for automated data collection and processing while eliminating counterfeiting by minting an NFT on our layer-2 blockchain network that provides accurate NFT pricing informed by real-world data from global sales channels.

NFT asset is sold on LuxFi marketplace after tokenization. The buyer redeems the product after the transaction is done on our marketplace and the seller ships it to the buyer. The amount paid by the seller is held in escrow by a smart contract. Couriers that have a decentralized tracking system can verify the buyer's receipt of the item before payment to the seller is transferred. The smart contract then releases the payment after the buyer receives the product and marks the item as received. NFT ownership can only be transferred to the new buyer after receipt is confirmed.

# Our revenue model is shown below.



4. Auction Transaction Fee



# I UNE NET MARKETPLACE

# **NFT Marketplace**

# Introduction

As NFTs are stored securely on the blockchain, the information they carry regarding what they represent and their ownership cannot be altered or destroyed. This makes them suitable for representing anything of value, including artworks, title deeds, web domains, collectables, audio files and even personal identities. Ownership of the NFT thus signifies ownership of the asset it represents, but not necessarily the copyright. In our ecosystem NFTs are digital representations of luxury assets.

uxFi acts as a bridge between the physical luxury world and digital crypto world by enabling users and retailers to generate NFTs representing their luxury and lifestyle goods. These NFTs can then be listed on our marketplace, enabling anyone interested to browse through the marketplace, purchase their item of choice and even create NFT auctions.

Anyone purchasing the NFTs on LuxFi Marketplace will not only own the digital representation of the luxury good but also the physical, underlying item. Once in possession of the crypto asset they can choose to hold on to it, trade it with others just like any other NFT or redeem it on the LuxFi platform to get the actual physical product shipped to their address. Meanwhile, all transactions including the purchase, sale and possession of an NFT, as well as its accompanying physical product, will be recorded on the blockchain.



# **Marketplace Features**

# (01)

# Buy, sell & invest into authentic luxury assets using cryptousing crypto

LuxFi is a real-world luxury asset backed NFT marketplace, and we work directly with retailers and professional experts to eliminate counterfeit items while minting NFT on our multichain blockchain network and we provide accurate NFT pricing that is backed by real-world data for each NFT on our platform. The physical assets of the NFT can be redeemed through our marketplace and be shipped to the new owner, or the physical asset can be stored in local custodian for investment purposes.

Traditional luxury goods marketplaces do not accept cryptocurrencies, people can simply spend their cryptocurrencies to buy luxury goods on our platform without going through all the OTC process to convert cryptocurrencies to cash and then buy luxury assets from traditional marketplaces.

# (O2) Auction – bid & ask

NFT backed by real world assets can be put into auction. Auction value and price trend of the luxury asset is based on real-world data of the same items sold across different sales channels.



# (01)

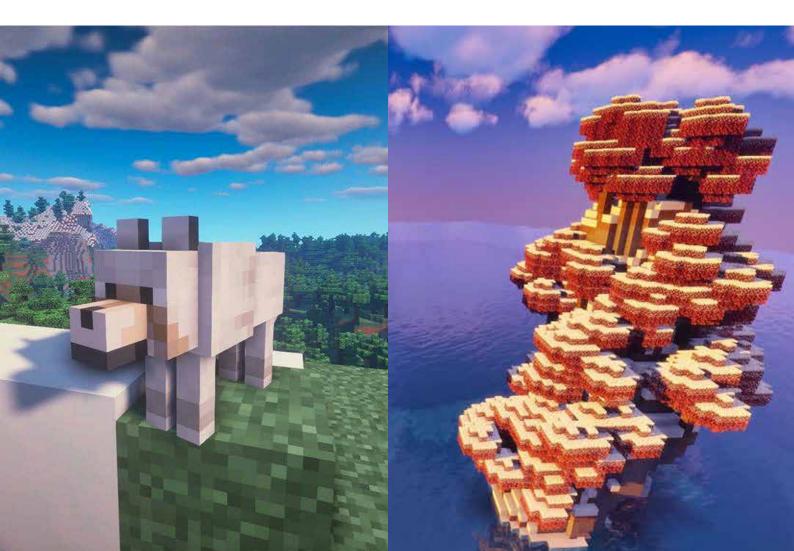
# NFT in game & redeemable

NFT backed by real world assets can be put into auction. Auction value and price trend of the luxury asset is based on real-world data of the same items sold across different sales channels.

# (02)

# PEER-TO-PEER COLLATERALIZED LENDING IN DEFI

Same day (24 hours) collateral loans to asset-backed NFT owners. The value of each NFT is backed by real-world data and the interest rate is based on market trends and demand of the real-world luxury items.





# NFT - Compatible Wallet

LuxFi offers an NFT mobile wallet to store or display NFTs, where users can securely store their NFTs. In future, users can also stake NFTs to earn different kind of rewards.

# **Blockchain Technology**

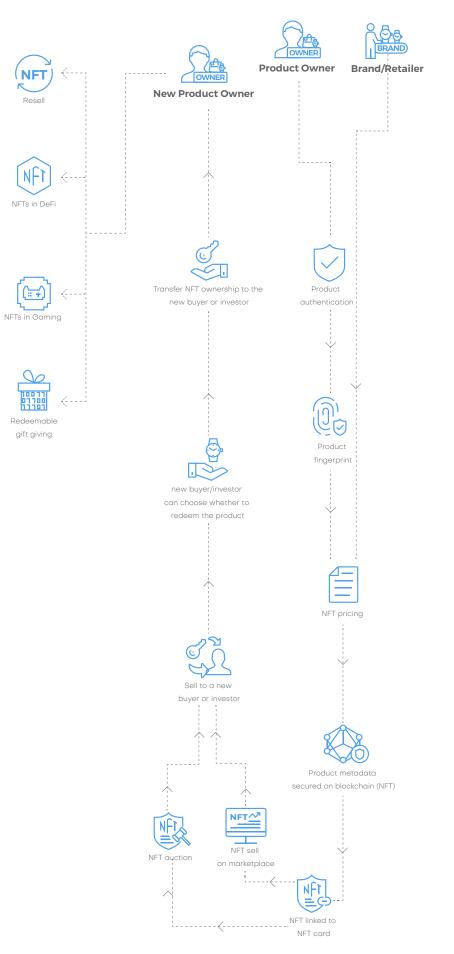
LuxFi's NFT minting system is currently operating on the Ethereum and Binance Smart Chain network, which are public blockchain environment. The LuxFi technology ecosystem includes technologies such as tokenization and product fingerprinting, as well as artificial intelligence and data mining.

Our multichain blockchain technology enables anti-counterfeiting traceability, secure and seamless data sharing within the network of alliances for product authentication, and the right to read the data on the blockchain can be made public or restricted to the authorized participants. In addition, it enables better speed and scalability for versatile on-chain services such as smart contracts, digital identity and ownership transfer. Lastly, our data intelligence system provides accurate pricing that benchmarks against global trends for each NFT.

Down the line we plan to move to the RioChain blockchain, which is currently a federated blockchain but will become open under a Nominated Proof of Stake (NPoS) consensus model. We have chosen RioChain for its scalability, functionality and security capabilities. The use of a NPoS protocol on top of a PoS protocol has created one of the most promising interoperability solutions in the sector, and the list of companies and applications supporting RioChain continues to grow.



# LuxFi Ecosystem



# **Use Cases**

# NFT Marketplace for Consumers

Users can convert their personal real-world luxury asset into a NFT in our platform. The physical product is handed to a professional verifier in our network for authentication. A fingerprint is collected from the product as a link associating a real-world physical asset with the virtual asset on the blockchain.

The product is secured on the blockchain and a NFT card containing a unique QR code and an anti-forgeable NFC chip is provided to the user so he can view the product details and history. The accurate pricing for each product is provided from our data intelligence system collecting data from multiple online and offline channels. For the buyer and new product owner, the product can be redeemed immediately after payment. If not, the buyer can see an investment opportunity by reselling the product after it increases in value.

Users also have the choice to ship their product to a custodian partner so they can fractionalize the virtual asset (NFT) and reinvest into new assets, or use the asset for collateralized lending. If the user pays back the loan, the product will be returned. If he fails to pay it back, the product will be put into our liquidation auction platform to be sold to individuals or second-hand retailers. Funds earned via the liquidation process will be used to pay back the lender, plus any owed interest.

# NFT Marketplace for Business Retailers

Before the product is being sold directly to the end-customer, it is converted into NFT on LuxFi platform. Through our product fingerprint technology, the physical product is associated with its virtual NFT and a NFT card that contains a unique and anti-forgeable NFC chip is provided to customers so they can scan the NFT card and view the information and history of the product. In addition, this allows VIP Station to buy back the products sold to customers without re-authenticating their own products. LuxFi's NFT solution has opened up a new market for VIP Station to sell their own pre-owned products.

# **LXF** Tokens

LXF tokens will be minted to the ERC-20 token standard on the Ethereum blockchain.

LXF tokens will be used for both utility and governance. LXF will become available for sale through a launchpad-hosted private sale and later through public sale on DEXs such as Bitmart or Gate.io.

# **Token Distribution Model**

The LXF token is pre-minted. LXF tokens are required to conduct a transaction or execute a smart contract on the platform. The LXF token derives its value from actual usage value in the LuxFi ecosystem.

LXF Token Distribution	Token Amount	Percentage (%)
Staking Rewards	3000000	30%
Marketplace Rewards	10,000,000	10%
Partnerships	5,000,000	5%
Promotional Rewards	5,000,000	5%
Token Sales	2000000	20%
Team	12500000	12.5%
Advisors	2500000	2.5%
Liquidity	500000	5%
Treasury	1000000	10%
Total	100,000,000	100%

100 million LXF tokens will be created through a token generation event (TGE). 65% of these tokens will be distributed according to the above table, 20% will be sold via private token sales and 15% will be maintained as reserves.

# How to Get LXF Tokens

1. By actively participating in the NFT marketplace. The number of tokens distributed to users will depend on transaction volumes.

2. By providing luxury goods data to our ecosystem.

3. By purchasing LXF tokens via an exchange.

4. By referring your friends to our platform. If the referee is buying or selling on our platform, referrer can earn \$LXF tokens.



# LXF Token Utility



# Staking

Earn yield and win exciting asset-backed NFT mystery boxes.



# Authentication

Authenticate the real-world asset.



# Product Tokenization (NFT creation)

Use \$LXF to convert physical assets to NFTs and list on the marketplace.



# Redemption Redeem the physical assets.



# Verification

Verify if the physical item is the original and authenticated asset of the NFT.



# **Providing Data**

Users can provide data to enhance the data intelligence system.



# **Custodian Services**

Store the assets in local custody.



# **Tiered membership**

Members are sorted into different tiers based on the quantity of tokens they hold, with higher tiers providing increased benefits like coupon rebates.



# Transaction fee

Ownership transfer.



# **Access NFT auctions**

Token holders can have free access to NFT liquidation auction when they hold a certain amount of tokens.



# Incentives & Bounties

Tokens can be used as incentives or bounties to reward people who frequently uses LuxFi platform for different services, participate in the development of our platform or refer friends and users in the network.

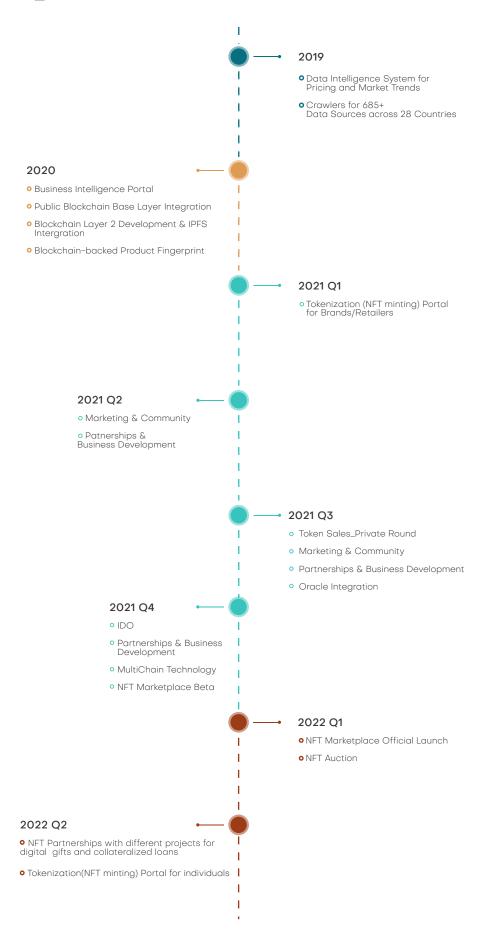


# Competitive analysis

LuxFi is the World's first NFT marketplace that's backed by real-world asset for buying, selling and investing into luxury assets.

	LuxFi	Arianee	Lukso
Blockchain technology	MultiChain Blockchain	Blockchain Network	Public Blockchain
Categories	Luxury Assets	Luxury Assets	Luxury Assets
Work directly with brands and retailers		$\checkmark$	
Convert goods to NFT for individuals	$\checkmark$	Х	Х
Technology to tie finished goods with its virtual NFTs		Х	Х
Anti-counterfeiting traceability			
Asset-backed NFT Mraketplace		Х	Х
Cross-chain Technology		Х	Х
Real-world data-backed pricing		Х	Х

# Roadmap



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# The Future of the Luxury Industry with NFT

# More Luxury Brands are Adopting Blockchain Technology to Fight Counterfeiting & Launch NFT Collections

Blockchain technology is a solution to the fight against counterfeiting. It makes it possible to create a digital certificate of authenticity that is resistant to any attempt at counterfeiting and which follows the product through whole lifecycle.

More and more luxury brands began to adopt blockchain technologies for their customers to access product history from sourcing to sales and proof of authenticity.

Earlier this year, LVMH, Prada Group, and Richemont have formed the Aura Blockchain Consortium to address the counterfeit issue. For Aura, the blockchain acts as a database of luxury products. Each product will be assigned a unique digital identity. On these digital certificates, luxury brands will record the origins of their products.

Dolce & Gabbana has recently partnered with NFT marketplace UNXD to launch a collection of NFT wearables called 'Collezione Genesi' for its clothes and perfume products. Every piece of the collection will be exclusively auctioned on the UNXD marketplace.

NFT is a form of unique digital assets and is the next development of digital fashion. Gucci is partnering with a platform to develop 3D clothing as NFTs and will transfer them to clients.

# How LuxFi Pushes the Luxury Industry Forward

LuxFi promotes product authentication and traceability with real world asset-backed NFTs. The digital profiles of the assets are created and permanently stored using LuxFi's minting system. Issues related to traceability, sustainability and authenticity are persistent across all luxury brands, and our product traceability solutions will effectively tackle these challenges, empowering safe and confident buying decisions.

With LuxFi, luxury items are handed to professional verifiers for authentication. We use Product Fingerprint Technology to link each physical asset with its virtual asset (NFT), and an NFT card containing a unique QR code and NFC chip is created. Each NFT is provided with accurate pricing that is backed by real-world data, unlocking the true value of each asset and laying foundation for a sustainable luxury ecosystem.

The authentication process and use of blockchain technology will ensure transaction security for all parties and combat the circulation of counterfeit items that is crippling the luxury industry. The protection of client privacy and data becomes is a major strength, as the information on the blockchain cannot be changed, hacked or tampered with.

uxFi aims to become a critical tool in supporting the future of the luxury industry. With our technology, LuxFi will change the luxury industry by making it a safer environment for owners and consumers worldwide, effectively addressing the prevalent issues facing the luxury industry and bridging the gap between real-world luxury assets powered by NFT.

# Disclaimer

Luxfi Technologies Limited does not make, and hereby disclaims, any representation or warranty with respect to LuxFi or (such as merchantability or fitness for particular purposes), except those expressly specified in this Lite Paper. Each purchaser's decision to participate in the LXF token sale and purchase any LXF shall be made based on his/her own knowledge of LuxFi and LXF and the information disclosed in this Lite Paper. Without prejudice to the generality of the foregoing, each purchaser will, upon the launch of LXF, accept LXF on an "as is" basis, irrespective of the technical specifications, parameters, performance or function thereof.

Luxfi Technologies Limited hereby expressly disclaims its liability and refuse to be liable for the following liabilities:

(1) any person's purchase of LXF in violation of any anti-money laundering, counter-terrorism financing or other regulatory requirements that are imposed in any jurisdiction;

(2) any person's purchase of LXF in violation of any representation, warranty, obligation, covenant or other provision under this Lite Paper, which results in the failure of paying and withdrawing LXF;

(3) termination of the LXF crowd sale for any reason;

(4) failure or termination of the LuxFi development which results in the failure to deliver LXF;

(5) delay or rescheduling of the LuxFi development and resulting failure to meet any published schedules;

(6) any errors, flaws, defects or other issues in the source code of LuxFi;

(7) any malfunction, breakdown, collapse, rollback or hard forking of the original public chain that LuxFi relies on;

(8) failure of LuxFi to meet any specific purpose or its unfitness for any specific use;

(9) utilization of the proceeds raised through the LXF crowd sale;

(10) failure to promptly and completely disclose any information relating to the development of LuxFi;

(11) any purchaser's divulgence, loss or destruction of the private key to his/her wallet for cryptocurrency or cryptographic (in particular the private key to the LXF wallet);

(12) any default, breach, infringement, breakdown, collapse, service suspension or interruption, fraud, mishandling, misconduct, malpractice, negligence, bankruptcy, insolvency, dissolution or winding-up of any third-party crowdfunding platform or exchange for LXF;

(13) any difference, conflict or contradiction between this Lite Paper and the agreement between any purchaser and any third-party crowdfunding portal;

(14) trading or speculation of LXF by any person;

(15) listing or delisting of LXF on or from any exchange;

(16) LXF being classified or treated by any government, quasi-government, authority or public body as a type of currency, securities, commercial paper, negotiable instrument, investment instrument or otherwise that results in it being banned, regulated or subject to certain legal restrictions;

(17) any damage, loss, claim, liability, punishment, cost or other adverse impact that is caused by, associated with, in connection with, incidental to or relevant to the risk factors disclosed in this Lite Paper.

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LXF is not being offered or sold and may not be offered or sold, directly or indirectly, to residents of countries who have previously been sanctioned by the United Nation (up to the date of this Lite Paper), which includes Afghanistan, Central Africa Republic, Democratic Republic of the Congo, Democratic People's Republic of Korea, Eritrea, Guinea-Bissau, Iran, Iraq, Libya, Somalia, South Sudan, Sudan, Syria and Yemen.

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(ii)completion of, and the use of proceeds from, the sale of LXF being offered during the token sale;

(iiii)the expected development of the business, projects and joint ventures;

(iv)execution of Luxfi Technologies Limited's vision and growth strategy, including with respect to future M&A activity and global growth;

(v)sources and availability of third-party financing for Luxfi Technologies Limited's projects;

(vi)future liquidity, working capital, and capital requirements. Forward-looking statements are provided to allow potential purchasers the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

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