

XIAOR: A Transparent Value Settlement Network for the AI-Driven Real Economy

XiaoR

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<https://xiaor.ai>

Abstract

This paper presents XIAOR, an economic coordination mechanism connecting AI-transformed real-world projects, high-speed application settlement, and publicly verifiable on-chain assets. The system uses two settlement engines: a virtual wallet for high-frequency, low-cost, auditable application settlement, and TRC/ERC wallets for on-chain ownership, self-custody, transfer, and public verification. Controlled bridges connect the two engines.

XIAOR has a fixed maximum supply of 10 billion tokens, with no minting after genesis. Ecosystem incentives are continuously distributed from the existing balance of genesis treasury UID 0000000001; every airdrop debits the treasury and credits recipient accounts by the same amount, creating no new supply. After projects controlled, operated, or transformed by XiaoR and its AI systems generate distributable after-tax free cash, governance may settle a portion into an HKD buyback budget. An independent Agent then purchases circulating XIAOR daily on the XIAOR.AI market. After ledger, bridge, and on-chain reconciliation, the confirmed XIAOR is permanently burned.

To reduce reliance on statements made by a single operator, the system plans to publish a public economic projection of the virtual-wallet ledger. The public layer uses independent, stable, non-enumerable public ledger IDs and discloses neither internal UIDs nor identity data. Consecutive events, batch hashes, Merkle roots, and public-chain anchoring allow anyone to recalculate supply, treasury distributions, market trades, buyback budgets, bridge reserves, and burn results. The design draws from Hyperliquid's principle of transparent value return and extends that principle to an AI-driven real economy.

1. Introduction

Artificial intelligence is reducing the cost of information processing, software development, and organizational coordination. The real economy, however, still consists of identities, orders, inventory, logistics, stores, payments, fulfillment, and legal responsibility. A model that only generates content cannot independently perform these functions. A settlement system that operates only on a public blockchain is also ill-suited to many high-frequency, low-value, reversible, and multi-state operations in real commerce.

XiaoR seeks to turn AI into productive and coordinating capacity for real-world projects. The system begins with a concrete problem: a parcel, a purchase, a store, a community service, or an enterprise workflow. AI identifies what can be transformed; software and Agents execute tasks; real customers generate orders and revenue; and project ledgers record costs and operating results.

XIAOR is the economic layer of this system. It is neither a substitute for real projects nor a price symbol detached from business activity. Its role is to connect real participation, verifiable contribution, platform settlement, market exchange, on-chain holding, ecosystem incentives, and long-term value return.

The central proposition of this paper is:

AI first transforms the real economy and creates verifiable value; XIAOR then records, connects, and returns that value.

2. System Model

2.1 Real-World Projects

Each project connected to XiaoR has an independent project ID and records the customer problem, AI solution, business process, orders, revenue, direct costs, operating costs, taxes, risk reserves, cash collection, and distributable profit. Logistics, shopping, community retail, store services, and enterprise AI automation can all reuse this project model.

The project value chain is:

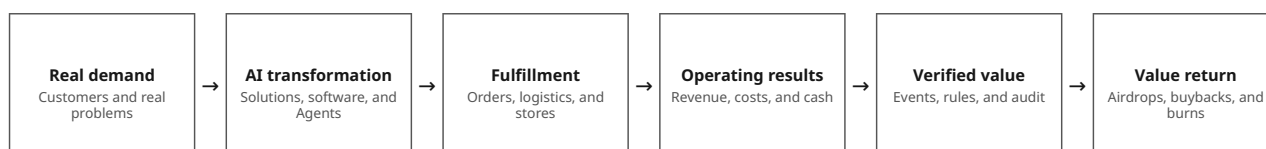


Figure 1. Value formation in AI-driven real-world projects

2.2 Verifiable Contribution

Ecosystem participants include customers, employees, merchants, partners, device providers, data validators, and approved Agents. A contribution must correspond to a verifiable event, such as completing a service, providing genuine supply, improving quality, contributing devices or computing capacity, completing a test, or reaching a project milestone. Each reward rule has a campaign ID, eligibility period, budget cap, calculation formula, anti-abuse controls, and audit record.

2.3 Two Economic Loops

XIAOR has two independent but complementary loops:

1. **Distribution loop:** the genesis treasury airdrops existing XIAOR to real ecosystem participants;
2. **Return loop:** real-world projects use distributable profit to create market demand, repurchase circulating XIAOR, and permanently burn it.

The first loop builds participation and distribution. The second returns operating results to the network as a whole.

3. Dual Settlement Engines

3.1 Application Settlement Engine

The virtual wallet handles high-frequency settlement inside real applications, including payments, rewards, holds, refunds, order settlement, market trades, project budgets, and Agent operations. The business database stores authoritative state, protected by database transactions, row-level locking, non-negative balance constraints, unique idempotency keys, and immutable transaction records.

Let $B(i, a)$ be account i 's balance in asset a , and let x be the amount of an internal transfer. Atomic settlement satisfies:

$$\begin{aligned} B'(\text{sender}, a) &= B(\text{sender}, a) - x \\ B'(\text{receiver}, a) &= B(\text{receiver}, a) + x \\ x &\geq 0, \text{ and } B(\text{sender}, a) \geq x \end{aligned}$$

For an internal transfer without fees, aggregate balances remain constant:

$$\sum B'(i, a) = \sum B(i, a)$$

3.2 On-Chain Settlement Engine

TRC/ERC wallets provide on-chain balances, signatures, receipts, transfers, self-custody, and public proof. For on-chain assets, the state of the relevant blockchain is authoritative for balances and transaction outcomes.

3.3 Controlled Bridges

Controlled bridges convert platform balances and on-chain assets under defined rules. Each bridge operation has a unique ID and verifies the network, contract, sender, recipient, amount, transaction hash, and confirmation state. Before an on-chain transfer, the platform balance is locked or debited. An unknown state enters pending verification; the system does not guess whether the operation succeeded, failed, or should be refunded.

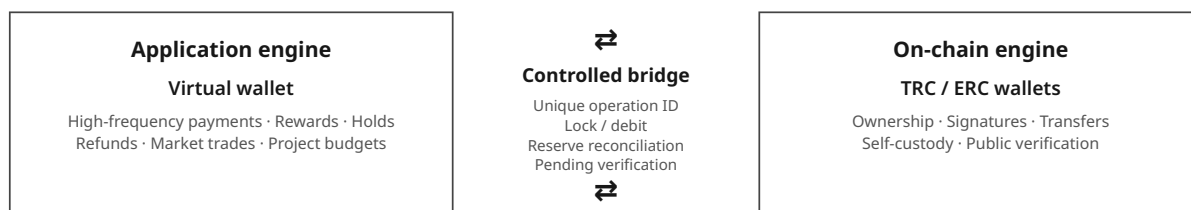


Figure 2. Dual settlement engines and the controlled bridge

Bridge capabilities are opened in stages according to region, identity, KYC, risk, and product approval.

4. XIAOR Supply

4.1 Fixed Supply

The maximum supply of XIAOR is:

$$S_0 = 10,000,000,000 \text{ XIAOR}$$

At deployment, the official Ethereum contract minted the entire supply once to the treasury. The contract has no post-genesis minting, owner, upgrade, pause, freeze, blacklist, or transfer-tax capability. Holders can burn only their own balances.

If cumulative burned supply at time t is $D(t)$, then:

$$S(t) = S_0 - D(t)$$

4.2 Official On-Chain Asset

- Network: Ethereum Mainnet, Chain ID 1
- Name / Symbol: XiaoR / XIAOR
- Decimals: 18
- Contract: 0x2Cec59Fb7fa393274671eD9d0601F7D4202fFba0
- Genesis treasury: 0xBb5B96020d9049777682014327398dBa302F75D1

Platform-ledger XIAOR and ERC XIAOR represent the state of one economic supply across two settlement layers and must never be double-counted. Approved ERC treasury reserves must cover unbridged platform liabilities.

5. Continuous Ecosystem Airdrops

All ecosystem airdrops originate from the existing balance of genesis treasury UID 0000000001. If campaign k distributes a total amount A_k , then:

$$\text{Treasury debit} = A_k = \text{Sum of recipient credits}$$

An airdrop may not increase customer balances without an equal treasury debit. Customer assets, unsettled merchant funds, and bridge reserves may not fund airdrops.

Each airdrop program must publish or retain, at minimum, its objective, project ID, eligibility rules, event period, per-person cap, total budget, calculation formula, regional restrictions, anti-abuse controls, treasury authorization batch, distribution results, and correction entries.

Periodic supply reports should disclose cumulative airdrops, cumulative burns, and net changes in circulating supply:

$$\begin{aligned} \text{Net change in circulating supply for the period} \\ &= \text{Treasury distributions into circulation} \\ &\quad - \text{Buyback burns} \\ &\quad - \text{New lockups} \\ &\quad + \text{Released lockups} \end{aligned}$$

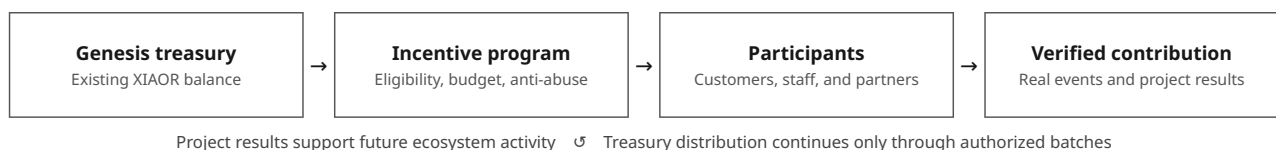


Figure 3. Treasury-funded airdrops and ecosystem participation

Continuous airdrops reward real participation. Holding XIAOR alone does not automatically create universal airdrop eligibility or a claim to fixed returns.

6. Net-Profit Buyback and Burn

6.1 Distributable After-Tax Free Cash

The basis for buybacks is neither revenue, gross profit, nor unrealized valuation. It is after-tax free cash that XiaoR may lawfully deploy after fulfillment, collection, tax, partner entitlements, and required reserves:

- $F(t)$ = Realized after-tax net profit
- Uncollected profit in receivables
 - Partner and minority interests
 - Legally or contractually restricted funds
 - Minimum working capital
 - Approved reinvestment budget
 - Risk reserves

For period t , governance approves a buyback ratio $r(t)$, where $0 \leq r(t) \leq 1$:

$$\text{Buyback budget } Q(t) = F(t) \times r(t)$$

Customer balances, unsettled merchant funds, bridge reserves, debt, financing proceeds, and token-sale proceeds are excluded from buyback funds.

6.2 Time Structure

Projects complete monthly or quarterly financial closes and approve HKD buyback budgets. An independent Agent purchases XIAOR daily in batches from the approved budget. Market purchases may occur daily; on-chain consolidation and `burn()` may occur weekly, monthly, or after reaching a governance-defined economic threshold, reducing gas costs and operational risk.

6.3 Buyback Agent

The Agent executes rules. It cannot determine profit or move unlimited funds. It uses a separate account, can spend only the HKD budget transferred to it, and is constrained by daily limits, per-order limits, volume participation caps, maximum slippage, price-deviation limits, minimum depth, rate limits, and an emergency stop.

The buyback Agent, market-making Agent, financial confirmation, governance approval, market monitoring, and burn execution are segregated. Buyback orders use the ordinary market API and ordinary price-time priority. They receive no hidden price or queue privilege.

6.4 Permanent Burn

Only purchased XIAOR that has been confirmed as received may be burned:

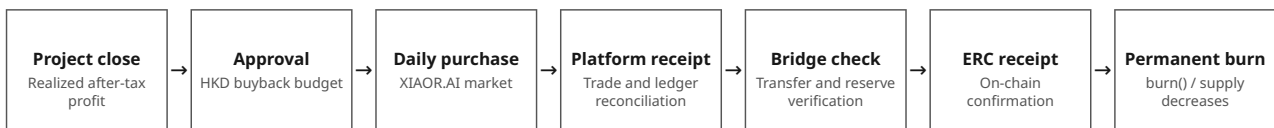


Figure 4. Real-project profit buyback and permanent-burn loop

Unfilled orders, partial fills, unknown outcomes, and ledger-chain mismatches remain pending verification. An internal platform “black-hole account” cannot substitute for an actual ERC contract `burn()`.

7. XIAOR.AI Market

The first XIAOR.AI market is XIAOR/HKD. It provides price discovery, order locking, price-time-priority matching, atomic settlement, cancellation, and public trade records.

Because XiaoR operates the market infrastructure, project system, and buyback Agent, it must manage conflicts of interest. Related accounts are registered; self-trading between the buyback and market-making Agents is prohibited; management trading blackout periods apply; independent reference prices are used to assess execution; and trading pauses when liquidity is insufficient or reconciliation is abnormal.

Local authoritative ledgers maintain market state, orders, and trades. XIAOR.AI and Hyperliquid are independent. Hyperliquid is not used as XIAOR's ledger, settlement layer, or security foundation.

8. Transparent Ledger

8.1 Two Transparency Layers

The on-chain transparency layer publishes the official contract, treasury and fund addresses, bridge transactions, asset consolidation, burn transactions, and total-supply changes. The application transparency layer publishes a read-only economic projection of the virtual-wallet ledger, market trades, airdrops, buyback budgets, and reconciliation results.

8.2 Public Ledger IDs

Each internal account maps to an independent, stable, non-enumerable public ledger ID. The ID is generated with keyed HMAC, a cryptographically random mapping, or an equivalent mechanism. Internal UUIDs are never disclosed, and enumerable unkeyed hashes are not used.

A public record may include an event ID, public ledger ID, asset, direction, amount, balances before and after the event, event type, status, time, project and batch references, verification digest, and rule version.

Names, phone numbers, email addresses, KYC data, addresses, social accounts, IP addresses, device identifiers, login records, private keys, products, parcels, chat content, and internal risk labels are excluded from the public layer.

8.3 Integrity

The public ledger uses append-only events, consecutive sequence numbers, and versioned corrections. Let E_n be the serialized events in batch n , and let H_{n-1} be the prior batch digest:

$$H_n = \text{Hash}(H_{n-1} \parallel \text{MerkleRoot}(E_n) \parallel \text{metadata}_n)$$

Each batch digest is periodically anchored to a public blockchain. The public API also publishes the event range, event count, aggregate debits and credits, asset-balance checksums, data latency, and exception status, allowing third parties to detect gaps and independently recalculate results.

8.4 Reserves and Liabilities

The public application ledger proves how liabilities change; reserve evidence shows what the platform holds. The transparency system should provide both:

$$\begin{aligned} &\text{Proof of customer and platform liabilities} + \text{Proof of on-chain/custodial reserves} \\ &\rightarrow \text{Reserve coverage ratio} \end{aligned}$$

On-chain reserves can be verified in real time. Bank and custodial reserves are disclosed through independent accountant attestations, reconciliation summaries, or other compliant evidence.

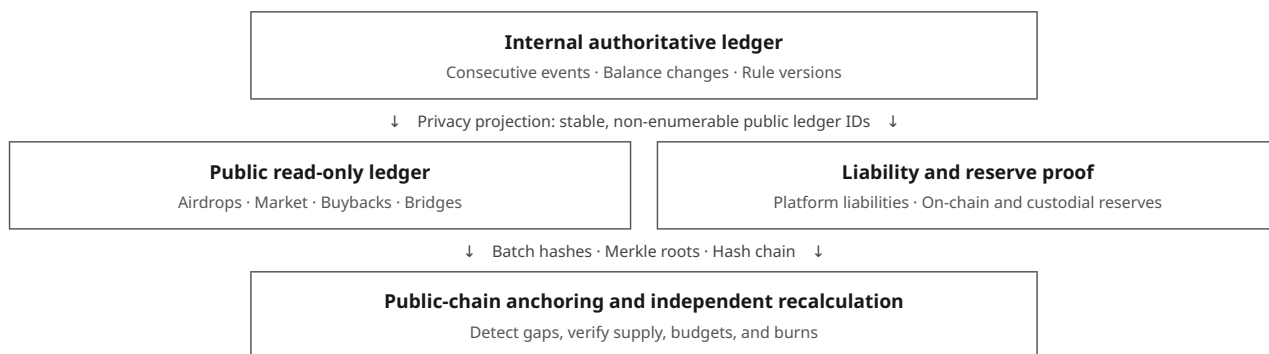


Figure 5. Privacy-preserving public ledger and verification path

9. Public Verification

Anyone should be able to verify that:

1. XIAOR has not been created from nothing;
2. every airdrop has an equal treasury debit;
3. asset changes on both sides of every market trade remain balanced;
4. the buyback Agent has not exceeded the approved HKD budget;
5. market purchases, platform debits, bridge transfers, on-chain receipts, and actual burns correspond;
6. reductions in ERC totalSupply match publicly disclosed burn transactions;
7. customer assets, merchant funds, and bridge reserves have not entered the buyback budget;
8. platform liabilities are covered by corresponding reserves; and
9. exceptions, pending-verification states, and correction entries have not been silently concealed.

10. Comparison with Hyperliquid

Dimension	Hyperliquid / HYPE	XiaoR / XIAOR
Economic activity	On-chain finance and trading	AI-transformed real-world projects
Source of value return	Protocol fees	Distributable after-tax free cash
Purchase	Programmatic conversion into HYPE on L1	Agent purchases in HKD on XIAOR.AI
Burn	HYPE burned from the Assistance Fund	ERC burn() after reconciliation
Ledger	Native on-chain ledger	Public application ledger plus TRC/ERC data
Account identifier	On-chain address	Non-enumerable public ledger ID
Execution environment	L1, validators, and protocol rules	Corporate governance, application ledger, Agents, and public chains
Scope of value	On-chain financial activity	Logistics, shopping, retail, stores, and enterprise AI projects

The two systems share the principles of real activity, market purchases, permanent burns, and public verification. Hyperliquid fees also flow to HLP, the Assistance Fund, and eligible deployers; this paper does not claim that all Hyperliquid fees enter the Assistance Fund. This comparison creates no partnership, authorization, endorsement, or affiliation between XiaoR and Hyperliquid, and the two systems do not have the same underlying network or degree of decentralization.

11. Governance

At present, governance is conducted by legally accountable corporate operating entities. Its scope includes project admission, financial close, treasury management, airdrop budgets, buyback budgets, market rules, bridge reserves, risk, audit, and compliance.

As the ecosystem matures, governance may gradually introduce community project proposals, multisignature participation, a transparency committee, and voting on selected non-security parameters. Customer assets, compliance, private keys, and emergency risk response remain under entities with legal accountability and professional capability.

Treasury, airdrop, market-making, buyback, and bridge activities use separate accounts, budgets, permissions, and ledgers. Rules are versioned, and parameter changes retain a public history.

12. Security and Limitations

Cross-ledger operations must verify actual balances and transaction states on both sides. Unknown states enter pending verification. The system does not blindly refund, double-credit, or rebroadcast. Financial Agents use least privilege, transaction limits, idempotent execution, state recovery, automatic suspension, and human takeover.

Public ledger IDs reduce direct-identification risk, but long-term transaction graphs may still permit correlation analysis. The system must perform data-protection impact assessments and minimize time precision, location, order data, and external references.

XIAOR buyback and burn, market trading, and public promotion may be subject to securities, collective-investment-scheme, virtual-asset-trading-platform, payment, stored-value, market-conduct, tax, accounting, KYC/AML, sanctions, and data-protection rules. Capabilities are opened according to jurisdiction and approval status.

XIAOR offers no fixed return, principal protection, price floor, or guarantee of appreciation. It does not automatically represent legal equity in XiaoR or any project, debt, or a fixed claim on profits. If a specific project offers legal investment rights, those rights should be implemented through a separate, compliant legal vehicle.

13. Conclusion

XIAOR connects real-world projects, AI execution, application settlement, and publicly verifiable on-chain assets into a unified economic loop:

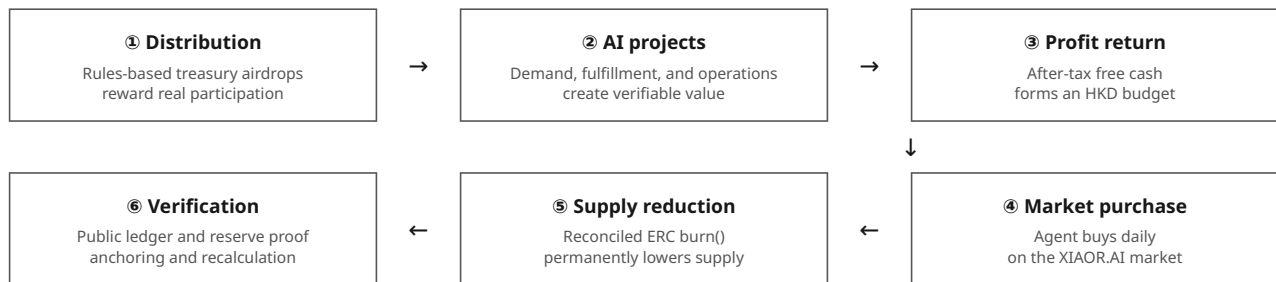


Figure 6. XIAOR business model and value-return overview

The design pursues three objectives: application-layer efficiency suitable for real commerce, asset-layer autonomy through public chains, and an economic layer in which value distribution and return can be recalculated and audited.

XIAOR's long-term proposition is:

Real businesses create value; dual settlement engines record value; ecosystem participation distributes value; and public burns prove value.

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