



Elastos

Financial Report

1 January 2020 - 30 June 2020

Notice to Readers

Information contained in this Report is given as of 30 June, 2020, except as otherwise noted.

This Report is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any ELA tokens.

Readers should not construe the contents of this Report as financial or investment advice and should not rely upon this Report for the purposes of buying, selling or holding ELA tokens or for any other purpose.

This Report may include information that might be considered forward-looking. Readers are cautioned not to place undue reliance on these forward-looking statements. The Foundation does not undertake, and specifically declines any obligation to update such information or statements or to publicly announce the results of any revisions to any such information or statements.

The audited financial information provided in this Report has been prepared by the Elastos Foundation and does not include complete financial statements.

All figures in this Report are denominated in BTC and ELA unless otherwise stated.

Beijing Yongen Lihe Accounting Firm Co. Ltd. was engaged by the Elastos Foundation to audit the expenses in fiat currency and digital currency and assets made between January 2020 and June 2020. The information included in this Report follows pertinent regulations in Auditing Standards for CPAs of China.

Introduction

The conclusion of another year of Elastos development brought about much progress, innovation, and transformation that were highlighted in our 3rd Anniversary AMA. We are proud of the progress this project has made in extending the capabilities of our technology while remaining steadfast in providing the world an alternative to the Internet of today.

As we commemorate yet another milestone, we would like to acknowledge every participant while welcoming those soon to be involved. The continuation of this Bi-Annual Financial Report demonstrates our desire for transparency and openness in every aspect of Elastos.

To that end, the Elastos Foundation is proud to present the Bi-Annual Elastos Foundation Financial Report, which captures the period between January 2020 and June 2020.

This report will serve the purpose of providing insight into the internal operations, metrics, and strategies of the Elastos Foundation, including:

- ▶ Scope and Basis
- ▶ Audit Process
- ▶ Audit Results
- ▶ Audit Opinion

Beyond its content, this report serves to further uphold the precedent established by the Elastos Foundation for responsible governance and transparency. These higher standards reflect the Elastos Foundation's long-term focus and commitment to its mission and its community.

The Elastos Foundation's financial management practices have been structured to maintain strict discipline on spending behavior. The Foundation's finance team is responsible for overseeing the following functions as they relate to the Foundation finances:

- ▶ Short and long-term budgeting & forecasting
- ▶ Financial planning and analysis
- ▶ Creation of and adherence to proper financial controls

The finance team maintains budgets for operating spend (BTC, ELA) and for ELA specific disbursements. Budgets are approved by the Board of Directors and reviewed on a monthly basis in comparison to actuals. Ongoing operational cash requirements are frequently evaluated.

The Elastos Foundation allocates budgets (BTC, ELA) within the following categories:

- ▶ Research & Development
- ▶ PR & Marketing
- ▶ Operations & Management
- ▶ Fixed Assets
- ▶ Policy, Laws and Regulations

All significant spending decisions, regardless of funding currency (BTC, ELA), are reviewed and approved by the Elastos Foundation Board of Directors.

* The audited financial information provided in this report has been prepared by the Elastos Foundation and does not include complete financial statements. The audit, executed by Beijing Yongen Lihe Accounting Firm Co. Ltd., follows pertinent regulations in Auditing Standards for CPAs of China.

Scope and Basis

The Elastos Foundation hired an external accounting firm to provide an audit of expenses in fiat currency and digital currency and assets made between January 2020 and June 2020. The Elastos team was responsible for providing accurate, legal, and complete information related to the audit and the auditor was responsible for issuing an opinion regarding the expenses made in and uses of legal and digital currency.

Beijing Yongen Lihe Accounting Firm Co. Ltd. executed the audit with reference to pertinent regulations in Auditing Standards for CPAs of China to abide by professional ethical practices in order to obtain reasonable assurance of whether major inaccuracies in reporting of project expenses exist.

During the process of the audit, the firm carried out procedures deemed necessary such as spot-checking accounting records and verifying transaction records on the blockchain. Expenditure details were investigated in the five areas which included research and development, domestic and international PR and marketing, operations and management, fixed assets, and policy, laws and regulation expenditures.

The basis for report data and presentation of the financial data resulting from the audit is standardized in digital currency (BTC, ELA).

The purpose of auditing the Elastos Foundation internal financial data is to investigate agreements, proof, financial review procedures and other activities pertinent to each payment. The audit also serves to assume the responsibilities and activities pertinent to national laws and regulations regarding the truthfulness and legality of audit results, all based on responsibilities to those who value higher standards, responsible governance, and transparency.

Audit Process

The audit was based upon various pieces of information, including service contracts, financial account vouchers, source documents, and records published on the blockchain. Expenditures were checked based on referencing the fiat currency sections of pertinent invoices related to the project's detailed accounts and costs expenditures.

Preparation included discussions between the Elastos Foundation and accounting firm, definition of basic tasks to be completed, and thorough analysis and evaluation of the professional competency, independence, and risk of the firm.

Following signature and acceptance of the Audit Services Contract, project leaders were assigned, audit project team formed, audit plan drafted, and consultation with the organization to prepare the information required was completed.

At location inside the Elastos Foundation offices in Beijing, all parties reconvened to assemble and review the information. The process was as follows:

1. Spot-checked documents related to expenditures made in fiat currency and digital currency, vouchers, invoices, service contracts, etc.
2. Recounted and verified expenditures made in digital currency (BTC, ELA) on the blockchain.
3. Firm verified all audit material with the Elastos Foundation and resolved differences and opinions between client and auditor.
4. Verified the audit materials were consistent, issued an Audit Report and Audit Verification Table, and verified approval with stamp.
5. A summary of work performed was provided and meeting convened to review and approve audit report.
6. Final audit report submitted to the Elastos Foundation.

Audit Results

This audit found that during the specified period, total project expenditure of digital currency (BTC, ELA) were as follows:

475.62 BTC

532,610.67 ELA

The expenses were categorized as follows:

R&D (Research and Development):

Included in R&D are expenditures for Research and Development, labor cost of all R&D personnel, reimbursements, cooperation with third party companies, expense sharing (office space, etc.), and other pertinent expenses.

PR (Public Relations) & Marketing:

Several teams form the joint responsibility of public relations and marketing that encompasses both domestic and international communities. The expenditures of PR & Marketing includes labor cost of all PR & Marketing personnel and third party firms.

In addition to team and agency expenses, expenditures for external promotion, meetings, design, video, and additional market expansion services were calculated as well.

Operations & Management:

Included in expenditures for Operations and Management are personnel labor costs (HR, Administration, Finance, Management, etc.).

In addition to team labor costs are expenditures for reimbursements, benefits, public expenses (office space, utilities, etc.), and transfer fees for all supporting departments.

Fixed Assets:

This category includes purchases of office equipment, furniture, computers, test machines, and additional fixed assets.

Policy, Laws and Regulations:

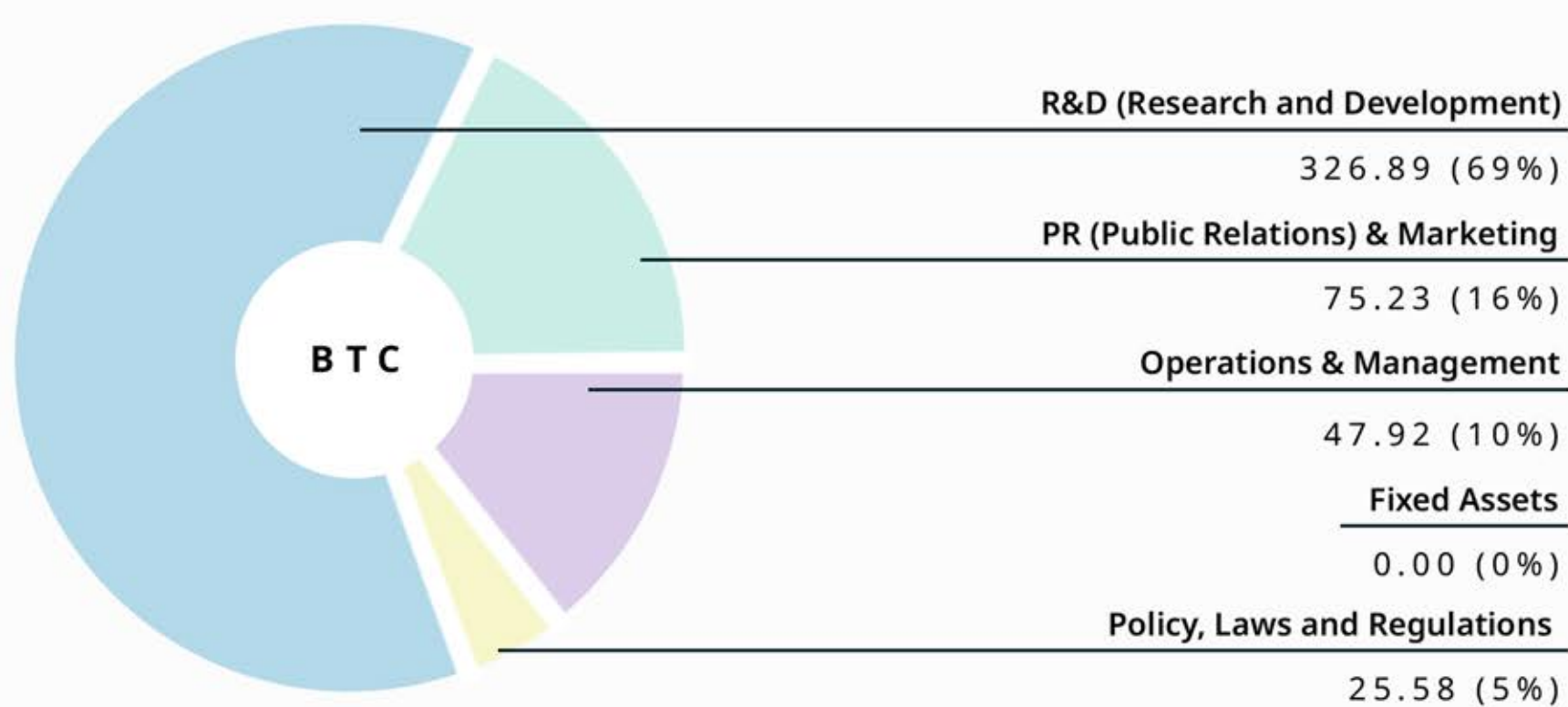
Included in expenditures are all costs and expenses related to compliance with domestic and international laws and regulations.

BTC Expenditures

A summary of BTC Expenditures is provided below:

BTC EXPENDITURE FROM Q1 and Q2 of 2020

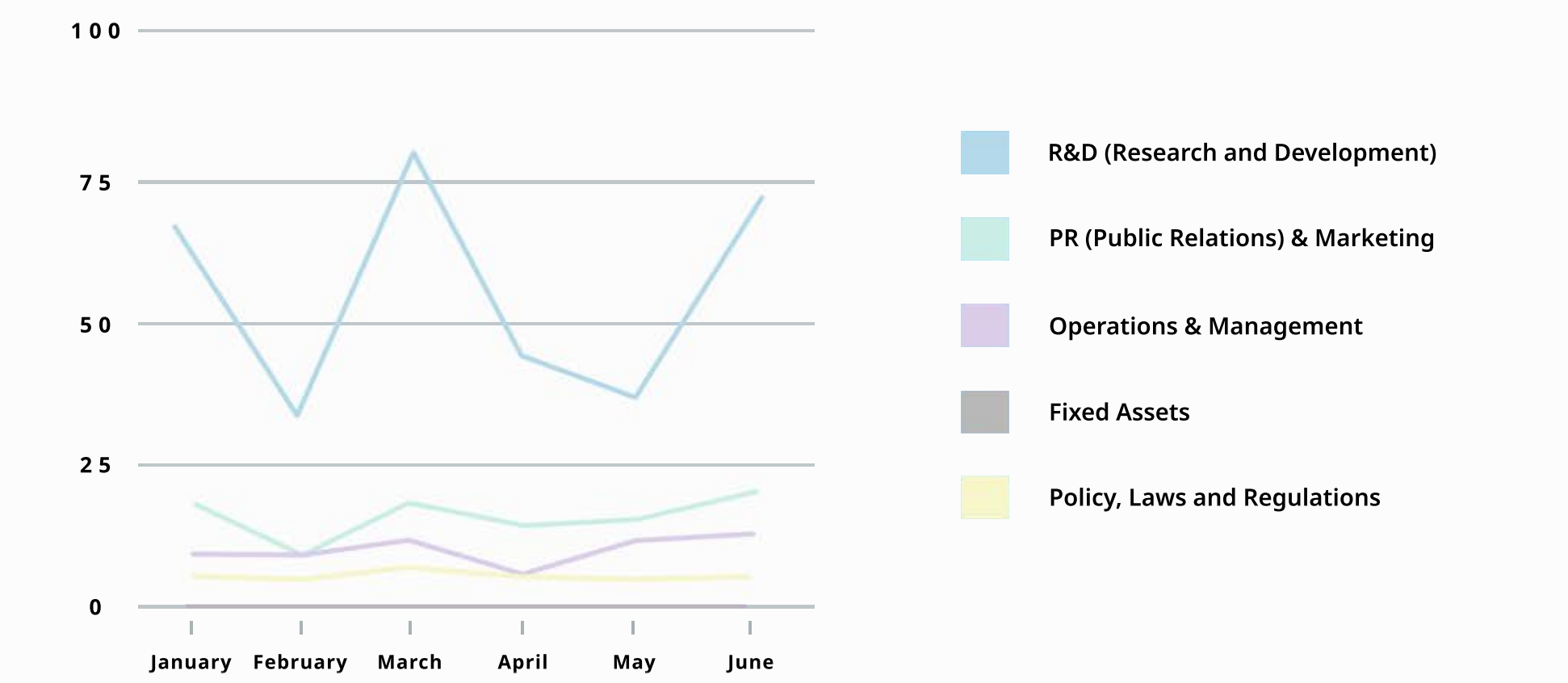
EXPENSE CATEGORY	B T C
R&D (Research and Development)	326.89
PR (Public Relations) & Marketing	75.23
Operations & Management	47.92
Fixed Assets	0.00
Policy, Laws and Regulations	25.58
Total	475.62



Monthly BTC Expenditures are provided below:

BTC EXPENDITURE FROM Q1 and Q2 of 2020

Expense Category	January	February	March	April	May	June	Total
R&D (Research and Development)	62.90	32.59	80.17	42.81	35.88	72.54	326.89
PR (Public Relations) & Marketing	15.89	7.18	14.78	10.67	10.99	15.72	75.23
Operations & Management	7.78	7.94	9.61	4.73	8.98	8.88	47.92
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Policy, Laws and Regulations	4.42	3.71	5.42	4.50	3.86	3.67	25.58
Total	90.99	51.42	109.98	62.71	59.71	100.81	475.62



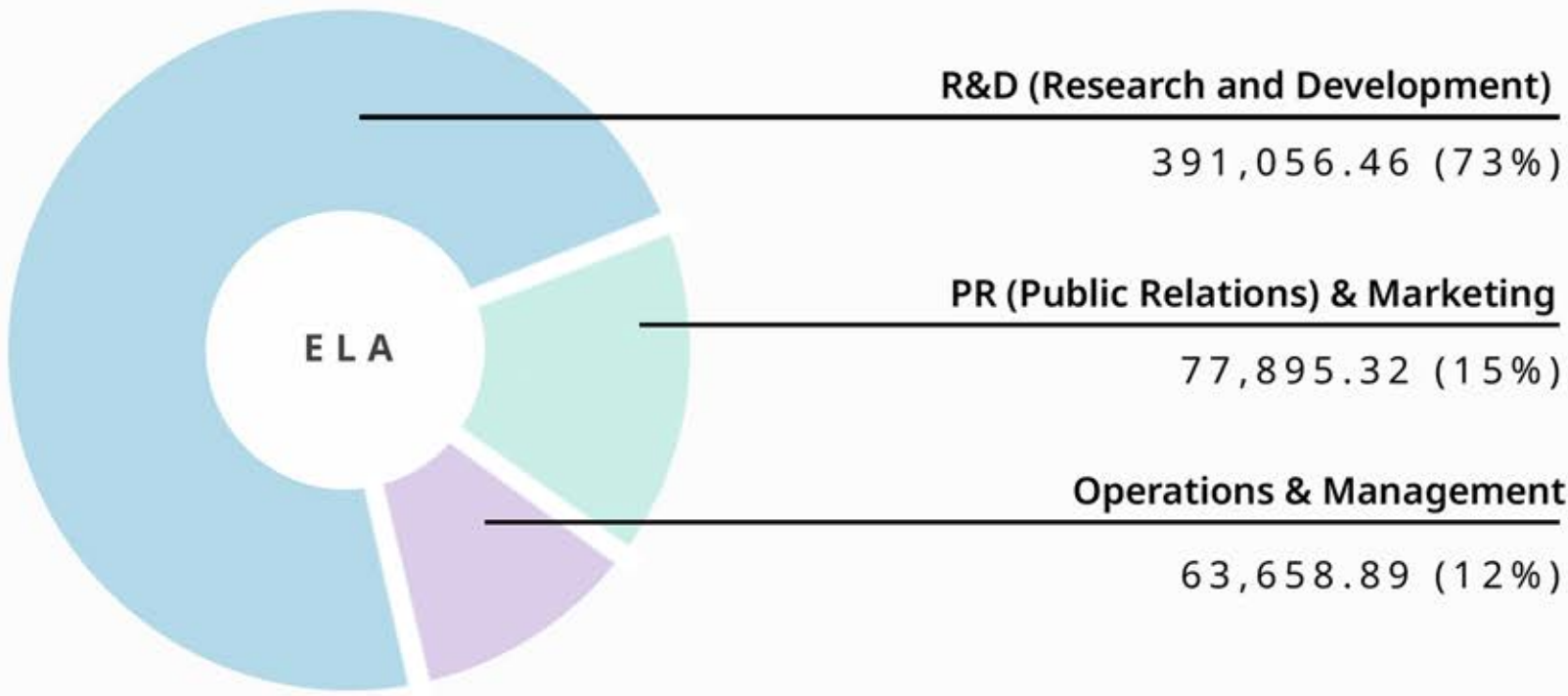
* The Elastos Foundation BTC expenditure process follows a strictly managed system in which each expense is reviewed and approved accordingly, and promptly paid. There is a clear basis that each payment is true and valid and that the accounts are consistent.

ELA Expenditures

A summary of ELA Expenditures is provided below:

ELA EXPENDITURE FROM Q1 and Q2 of 2020

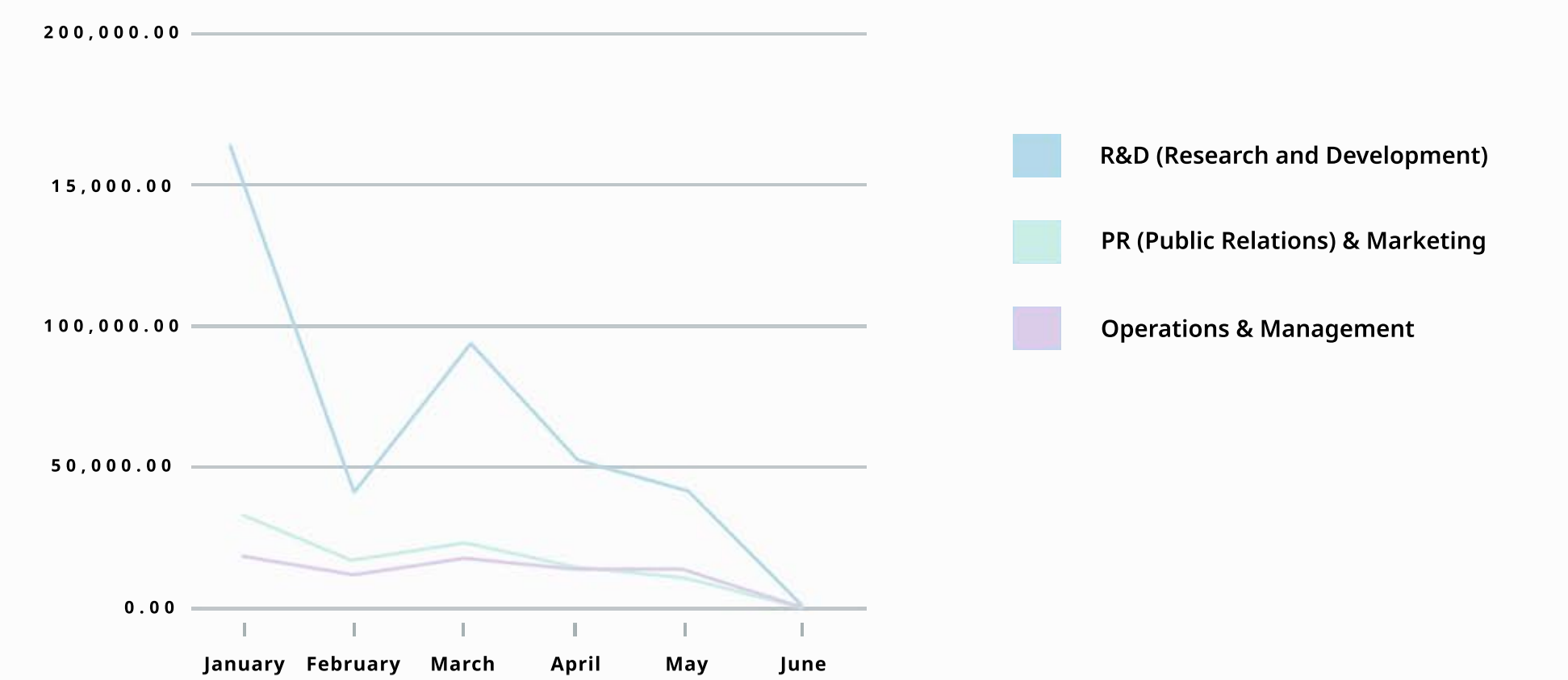
EXPENSE CATEGORY	EL A
R&D (Research and Development)	391,056.46
PR (Public Relations) & Marketing	77,895.32
Operations & Management	63,658.89
Total	532,610.67



Monthly ELA Expenditures are provided below:

ELA EXPENDITURE FROM Q1 and Q2 of 2020

Expense Category	January	February	March	April	May	June	Total
R&D (Research and Development)	157,118.17	42,154.31	92,842.71	53,539.98	45,395.95	5.34	391,056.46
PR (Public Relations) & Marketing	30,030.51	11,205.16	23,294.86	7,224.78	6,134.67	5.34	77,895.32
Operations & Management	15,565.43	8,002.40	17,620.62	12,148.30	10,311.81	10.33	63,658.89
Total	202,714.11	61,361.87	133,758.19	72,913.06	61,842.43	21.01	532,610.67



* The Elastos Foundation ELA expenditure process follows a strictly managed system in which each expense is reviewed and approved accordingly, and promptly paid. There is a clear basis that each payment is true and valid and that the accounts are consistent.

Audit Opinion

After reviewing the strategic direction of The Elastos Foundation and the evolution of its organizational structure, we found, after comprehensive review, that the authenticity and data were consistent in the following processes: the approval and expenditure of each project, the reasonable proportion of the cost of each project in each expenditure, the system for payment processing, the management or authority to approve payments, the expenditure records on relevant chains, and the on-chain compliance of financial payment vouchers.

According to our conclusions regarding the above processes, as well as the current digital currency value within its overall market environment, our findings indicate a strict management system with a clear record of payments that are consistent across all accounting ledgers.

Beijing Yongen Lihe Accounting Firm Co. Ltd.