



Elastos Foundation

Financial Report

1 July 2021 - 31 December 2021

Notice to Readers

Information contained in this Report is given as of 31 December, 2021, 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 DAB Team and does not include complete financial statements.

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

The Elastos Foundation entrusted a legally qualified accounting firm (hereinafter referred to as the "Firm") to audit the use of legal tender and digital assets during July 2021 to December 2021 in accordance with the relevant accounting standards of the location where the firm is registered and issued the audit report. However, due confidentiality agreement, the Foundation shall not disclose the name of the auditing firm.

Introduction

The Elastos Foundation is pleased to see a rising current of interest for Web3 solutions across the broader technology space as our own ecosystem and open source software offerings continue to expand. Since our inception, Elastos has been resolute in our efforts to bring true data ownership to the world while helping people control the value they generate online. Along the way, we have accomplished several significant achievements, completing many of our most important milestones in the second half of 2021.

With each passing year, Elastos core development and ecosystem teams continue to enhance the capabilities of Elastos infrastructure while testing the possibilities of Web3 with new applications and services. Following the first half of 2021, the Elastos Foundation began allocating some of its focus to brand awareness and product-oriented Web3 innovations powered by Elastos.

In this Bi-Annual Financial Report, we have included expenditure details for research and development projects provided by a third-party audit firm to acknowledge our dedication to transparency while showcasing the many teams responsible for growing the next phase of Elastos. We continue to align our technology to support ecosystem projects and participate in the many areas of Web3, including: DeFi, NFTs, identity, security, wallets, social media, and additional markets that gain popularity.

Each of Elastos's passionate teams continue to become more knowledgeable and prepared for the challenges ahead and are excited to introduce revolutionary products with the support of each other, and the Cyber Republic community overall.

The Elastos Foundation, as a driving force behind Elastos, a leading Web3 project, will continue to fund Elastos ecosystem projects for free. At the same time, adhering to the established non-profit principle at the time of its founding, the Elastos Foundation is not involved in the management and operation of the Elastos ecosystem projects, nor does it benefit from it.

To that end, the Elastos Foundation is proud to present the Bi-Annual Elastos Foundation Financial Report, which captures the period between July 2021 and December 2021.

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's 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 DAB team. The audit, executed by the accounting firm with legal qualifications, follows pertinent regulations in Auditing Standards for the place where the firm is registered.

Scope and Basis

The Elastos Foundation hired an external accounting firm to provide an audit of expenses in fiat currency, digital currency, and assets made between July 2021 and December 2021. The Elastos DAB 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.

The accounting firm with legal qualifications executed the audit with reference to pertinent regulations in Auditing Standards for the place where the firm is registered 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, 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, an audit project team was formed, an audit plan was drafted, and a consultation with the organization to prepare the information required was completed.

At the Beijing office of Elastos Foundation's partner teams, 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 a stamp.
5. A summary of work performed was provided and the meeting convened to review and approve the audit report.
6. Final audit report submitted to the Elastos Foundation.

Audit Results

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

85.40 BTC

0.00 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

This category includes PR & market labor costs, travel, third party company cooperation, shared expenses (office space, etc.), and other pertinent expenses.

Operations & Management

This category Includes labor costs, travel and shared expenses (office space, etc.) generated in operation support.

Fixed Assets

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

Policy, Laws and Regulations

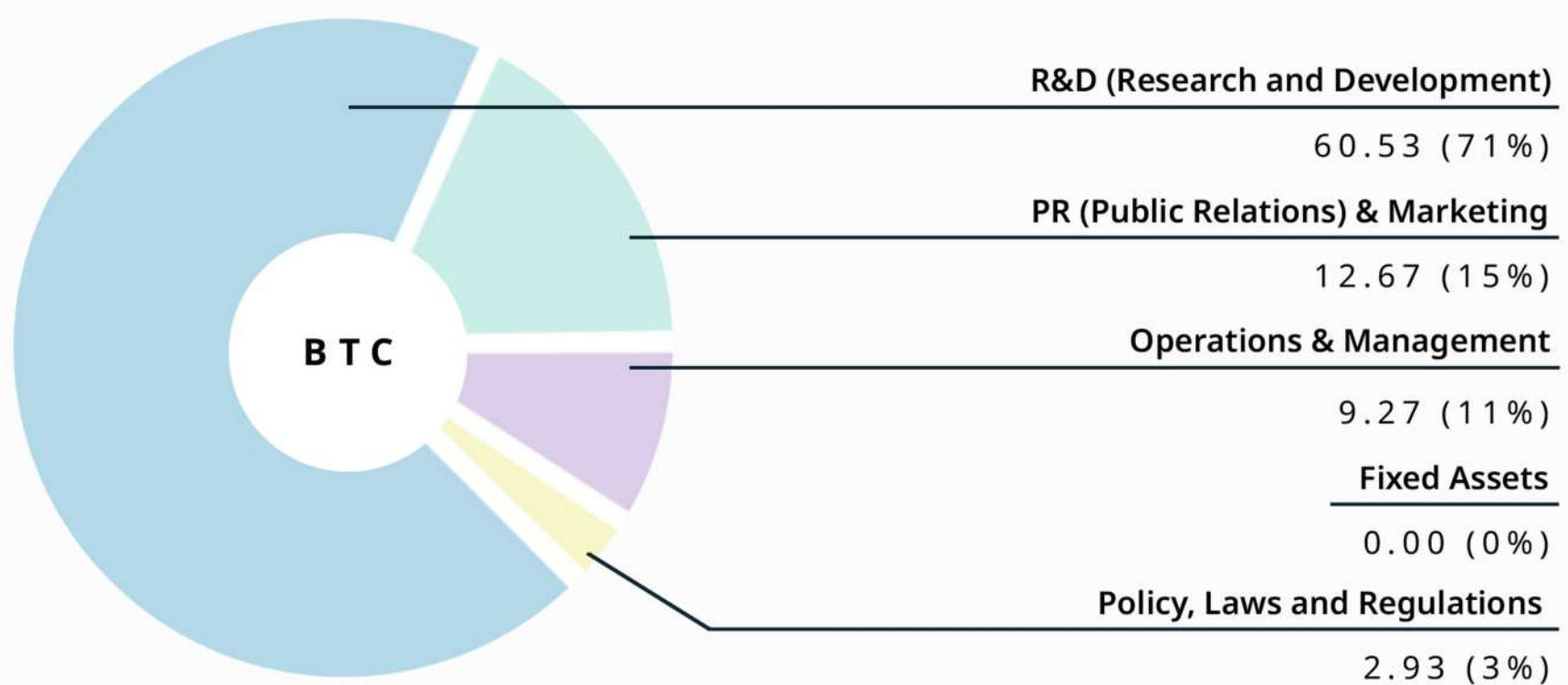
Included in expenditures are all costs and expenses related to compliance laws and regulations.

BTC Expenditures

A summary of BTC Expenditures is provided below:

BTC EXPENDITURE DURING Q3 and Q4 of 2021

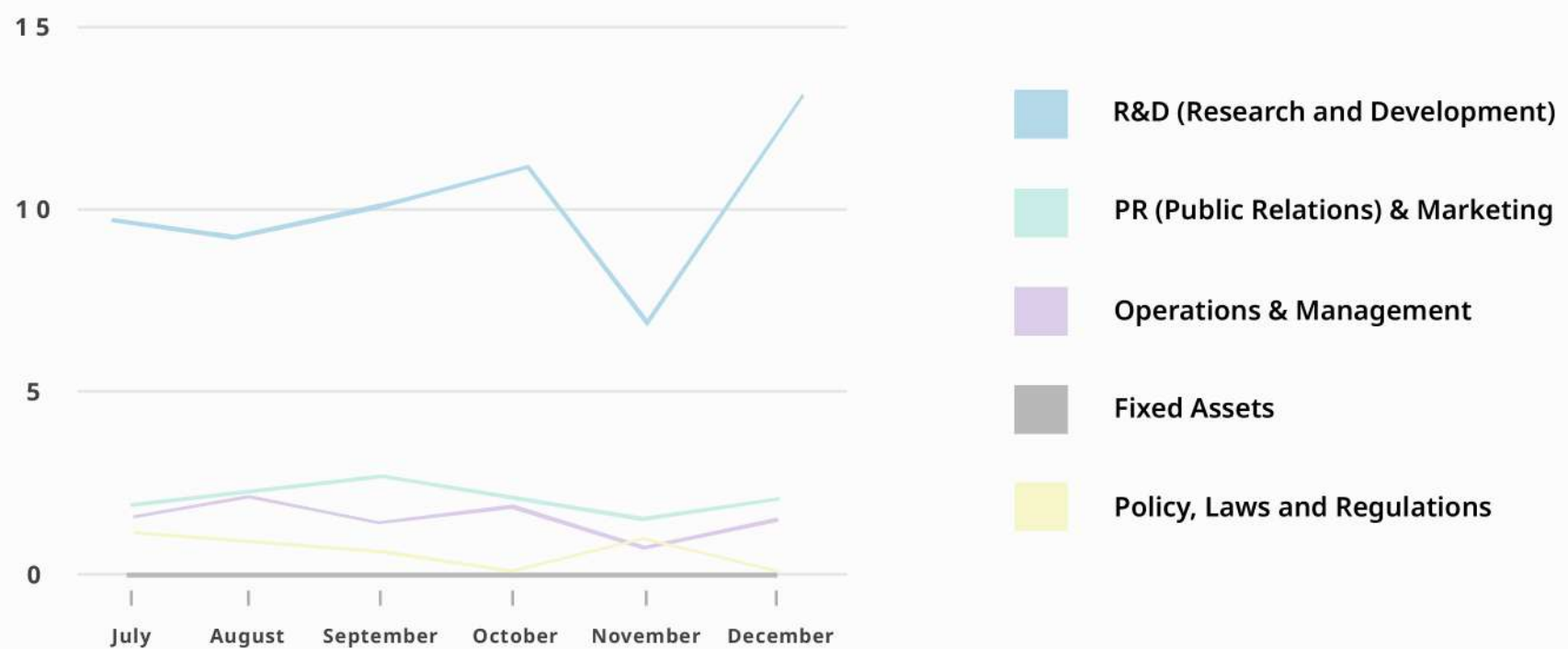
EXPENSE CATEGORY	BTC
R&D (Research and Development)	60.53
PR (Public Relations) & Marketing	12.67
Operations & Management	9.27
Fixed Assets	0.00
Policy, Laws and Regulations	2.93
Total	85.40



Monthly BTC Expenditures are provided below:

BTC EXPENDITURE DURING Q3 and Q4 of 2021

Expense Category	July	August	September	October	November	December	Total
R&D (Research and Development)	9.97	9.16	10.08	11.46	6.75	13.11	60.53
PR (Public Relations) & Marketing	1.96	2.23	2.66	2.12	1.60	2.10	12.67
Operations & Management	1.43	2.04	1.45	1.92	0.87	1.56	9.27
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Policy, Laws and Regulations	0.81	0.63	0.39	0.00	1.09	0.01	2.93
Total	14.17	14.06	14.58	15.50	10.31	16.78	85.40



Expenditures for Research and Development include third party company cooperation. The summary of these BTC Expenditures are provided below:

BTC EXPENDITURE DURING Q3 and Q4 of 2021

R&D Project Name	BTC
Blockchain	19.99
Core Blocks	15.40
Profile	5.91
Elastos Essentials	5.86
Feeds	4.05
Assist	3.09
FILDA	2.40
Sports App MVP	1.18
Glide	0.75
DEFI protocol	0.70
ElaBox	0.54
MetEast	0.41
ELA wallet	0.25
Total	60.53

* 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.

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.