



Elastos Foundation Financial Report

1 July 2022 to 31 December 2022

Notice to Readers:

Information contained in this Report is given as of 31 December 2022, 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 2022 to December 2022 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:

In the second half of 2022, the Elastos Foundation has seen significant growing interest in and demand for Web3 and Web5 technologies, decentralized online tools in general, and Elastos-native platforms and services in particular. Since our formation in 2017, the Elastos Foundation has been fully committed to protecting individuals in the digital domain and providing them with the tools and services to act and live autonomously. By the end of 2022, through increasing refinement and enrichment, our foremost avenues to achieving this goal include a powerful decentralized identity solution, decentralized data storage services, and a comprehensive infrastructure dedicated to enabling users to truly own the data they generate online. Already, we have accomplished a number of significant milestones in 2022, and have seen rewarding growth in the broader Elastos ecosystem.

Every year, Elastos core development and ecosystem teams take on a pair of objectives in tandem: to enhance and expand the capabilities of Elastos' core infrastructure, and to innovate by developing entirely new applications and services to further Elastos' Web3 vision. Following the second half of 2022, the Elastos Foundation will continue allocating some of its focus to brand awareness and product-oriented Web3 innovations powered by Elastos.

Elastos' development teams continue to advance not only their technical sophistication, but also their depth of understanding of user demographics, needs, and demands within and beyond Cyber Republic and the Elastos community. The Elastos Foundation is proud to observe development teams not only producing revolutionary standalone products, but integrating features and applications to make for a seamless, connected, and intuitive experience that supports an adoption-ready Web3 ecosystem.

This Bi-Annual Financial Report includes 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 building the next phase of Elastos. We continue to align our technology to support ecosystem projects and stimulate growth in many Web3 sectors, including DeFi, NFTs, identity, security, wallets, social media, and additional markets that pick up traction organically.

The Elastos Foundation, as a driving force behind Elastos, 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 will not become involved in the management or operation of the Elastos ecosystem projects, nor will it receive benefits from them.

In the second half of 2022, Elastos' Web3 vision was initially realized with further enhancements and expansion of Elastos' core infrastructure capabilities. By the end of the year, EF and its partners had made a series of deep optimizations based on the market environment and cost control.

On that accord, the Elastos Foundation is proud to present the Bi-Annual Elastos Foundation Financial Report, which captures the period between July and December 2022.

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
- ELA Buyback Program

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 2022 and December 2022. 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.

This audit found that during the specified period, the total project expenditure of digital currency (BTC, ELA) were as follows: 482.38 in BTC expenditure and 20,000 in ELA expenditure.

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.

ELA Buyback Program

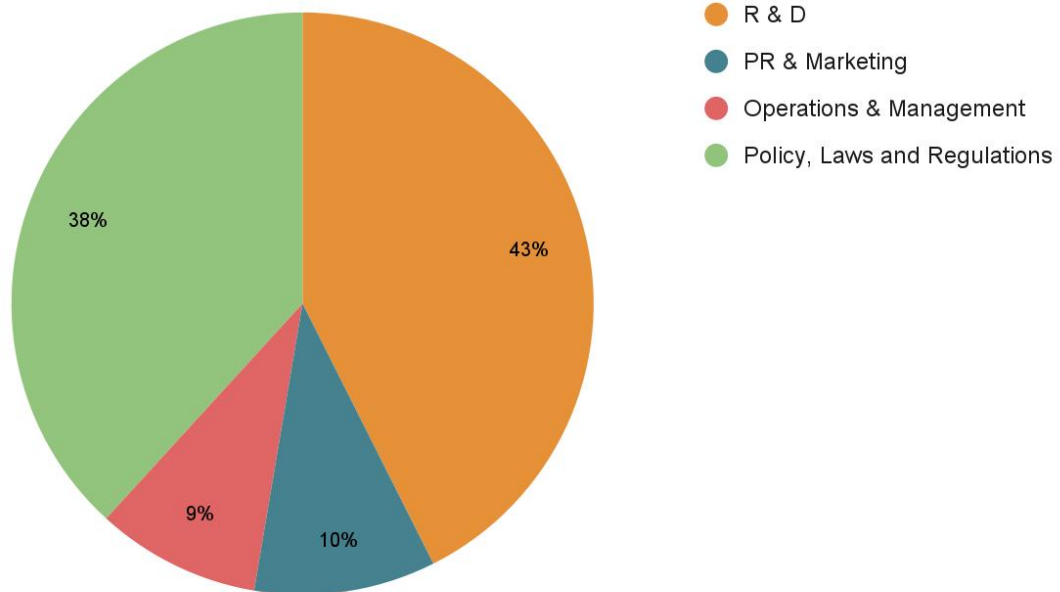
To facilitate a smooth transition of the DPoS Consensus, repurchases were made under the repurchase Program in accordance with the Statement on Supporting the DPoS Consensus Upgrade of the Repurchase Portion of ELA.

A summary of BTC Expenditures is provided below:

BTC Expenditure during Q3 and Q4 of 2022

Expense Category	BTC
R&D	201.63
PR & Marketing	47.73
Operations & Management	43.19
Fixed Assets	0.00
Policy, Laws and Regulations	180.96
Totals	473.51

BTC



BTC Expenditure for ELA Buyback Program

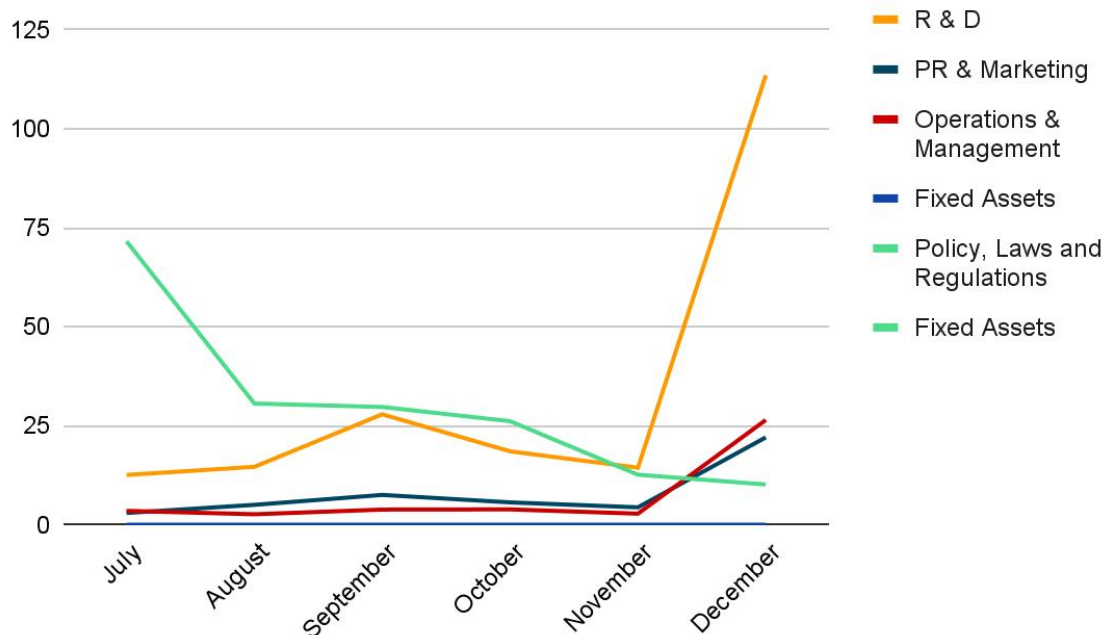
Expense Category	BTC
ELA Buyback Program	8.87

Monthly BTC Expenditures are provided below:

BTC Expenditure during Q3 and Q4 of 2022

Expense Category	July	August	September	October	November	December	Total
R&D	12.59	14.64	27.90	18.56	14.42	113.52	201.63
PR & Marketing	2.99	5.04	7.55	5.66	4.41	22.08	47.73
Operations & Management	3.52	2.66	3.84	3.89	2.81	26.47	43.19
Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Policy, Laws and Regulations	71.59	30.62	29.75	26.17	12.65	10.18	180.96
Total	90.69	52.96	69.04	54.28	34.29	172.25	473.51

BTC



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 2022

R&D Project Name	BTC
Blockchain	85.51
Core Blocks	48.26
Elastos Essentials	21.70
Feeds	16.32
Community project	8.91
FiIDA	5.73
DEFI Protocol	4.80
Elastos Elavation proposal	4.79
Elacity	3.32
Profile	1.37
MetEast	0.85
Glide	0.07
Totals	201.63

A summary of BTC Expenditures is provided below:

ELA Expenditure during Q3 and Q4 of 2022

Expense Category	ELA
PR & Marketing	20,000

ELA Expenditure during Q3 and Q4 of 2022

Expense Category	July	August	September	October	November	December	Total
PR & Marketing	0.00	0.00	20,000	0.00	0.00	0.00	20,000

**** The Elastos Foundation BTC and 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***

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.