

CLPS Incorporation Reports Financial Results for the Second Half and Full Year of Fiscal 2024

HONG KONG, Oct. 18, 2024 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), today announced its financial results for the six months ended June 30, 2024 and full year of fiscal 2024.

Fiscal year 2024 presented unique challenges due to global economic uncertainties and industry-wide layoffs. Despite these headwinds, CLPS demonstrated resilience and strategic foresight. We proactively adjusted our operations to navigate these complexities, positioning ourselves for continued growth. Our dual-engine strategy, focused on expanding our global reach and diversifying into new industry segments, proved instrumental in achieving this goal. In addition, the increasing demand for advanced IT services and skilled professionals offers a promising landscape for CLPS to capitalize on international business opportunities and drive future success.

Unaudited Second Half of Fiscal 2024 Highlights (all results compared to the six months ended June 30, 2023)

- Revenue from customized IT solution services increased by 40.0% to \$1.9 million from \$1.4 million.
- Revenue from academic education services reached \$1.0 million during this period, as a result of the College of Allied Educators Pte. Ltd. ("CAE") acquisition.
- Revenue generated outside of mainland China increased by 48.0% to \$13.3 million from \$9.0 million. In particular:
 - Revenue generated from Singapore increased by 34.3% to \$6.3 million from \$4.7 million.
 - Revenue generated from Hong Kong SAR increased by 72.0% to \$4.0 million from \$2.3 million.
 - Revenue generated from the United States increased by 37.9% to \$2.5 million from \$1.8 million.
- Gross profit increased by 7.3% to \$17.2 million from \$16.0 million.
- Net loss was \$0.9 million, compared to a net loss of \$1.2 million.

Audited Fiscal Year 2024 Highlights (all results compared to the twelve months ended June 30, 2023)

- Revenue generated outside of mainland China increased by 37.9% to \$22.3 million from \$16.2 million. In particular:
 - Revenue generated from Singapore increased by 25.8% to \$11.0 million from \$8.7 million.
 - Revenue generated from Hong Kong SAR increased by 44.9% to \$6.2 million from \$4.3 million.
 - Revenue generated from the United States increased by 57.2% to \$4.4 million from \$2.8 million.

- Accounts receivable turnover period improved to 111 days, down from 123 days.
- Net cash provided by operating activities was \$8.9 million, representing the third consecutive fiscal year of generating positive cash flow from operations.

Mr. Raymond Lin, Chief Executive Officer of CLPS, commented, "While our financial results for this fiscal year may not have met our initial expectations, I am proud of our team's tenacity and agility in navigating a challenging market environment. Despite facing headwinds primarily due to strategic shifts by some of our clients, we have taken proactive steps to mitigate potential losses and position ourselves for long-term growth.

Our commitment to providing exceptional service to our clients has enabled us to retain our loyal client base and attract new business. Additionally, our strategic acquisition of CAE, a Singapore-based learning institution, along with Shell Infotech Pte. Ltd. and its wholly-owned subsidiary, Shell Infotech Consulting Sdn. Bhd., has further strengthened our position in the Southeast Asia region for IT services, while expanding our capabilities and market reach. In addition, we have diversified our business by entering sectors such as loan, e-commerce, tourism, and education through acquisitions, enhancing and complementing our core offerings in these areas to drive growth.

Anticipating a surge in demand for IT solutions, driven by factors like accelerated digital transformation, widespread adoption of remote work, and the growing emphasis on efficient and flexible IT infrastructure by companies, we established the China Development Center ("CDC") and the Global Testing Center ("GTC") during this period. These centers will help us maintain a competitive edge in the evolving IT landscape going forward.

Looking ahead, we remain committed to delivering long-term value to our shareholders. By continuing to focus on operational excellence, financial discipline, and strategic growth, we are confident in our ability to navigate future challenges and capitalize on emerging opportunities."

Ms. Rui Yang, Chief Financial Officer of CLPS, commented, "Our global expansion strategy has been one of the key focus during this fiscal year, resulting in a 37.9% increase in revenue generated outside of mainland China. Our Asia-Pacific operations have demonstrated impressive growth, with Singapore, Hong Kong, and Japan reporting substantial increases of 25.8%, 44.9%, and 122.5%, respectively. In North America, our presence in Canada has been fortified, and our US operations have experienced a significant surge, driven by increased visibility, strategic hiring, and growing demand for our services, resulting in a 57.2% increase in revenue. Additionally, our recent expansion into Dubai, UAE, has further solidified our global footprint and opened up new opportunities to serve the thriving Middle East market. These achievements underscore the strength of our team, the value of our offerings, and the effectiveness of our global strategy.

Over the past three fiscal years, we have consistently generated positive operating cash flows, demonstrating our effective cash management strategies. In this fiscal year, we improved our accounts receivable turnover period to 111 days from 123 days, enhancing our liquidity and enabling future investments and business expansion."

Unaudited Second Half of Fiscal Year 2024 Financial Results

Revenues

In the second half of fiscal 2024, revenues decreased by \$2.6 million, or 3.5%, to \$71.0 million from \$73.6 million in the prior year period. The decrease in revenue was mainly due to the decreased demand in IT consulting services.

Revenues by Service

- Revenue from IT consulting services decreased by \$4.2 million, or 5.8%, to \$67.3 million in the second half of fiscal 2024, from \$71.5 million in the prior year period. Revenue from IT consulting services accounted for 94.8% of total revenue, compared to 97.1% in the prior year period. The decrease was due to the decreased demand from existing clients.
- Revenue from customized IT solution services increased by \$0.5 million, or 40.0%, to \$1.9 million in the second half of fiscal 2024, from \$1.4 million in the prior year period. Revenue from customized IT solution services accounted for 2.7% of total revenue, compared to 1.9% in the prior year period. The increase was primarily due to the increased demand from existing automotive area clients.
- Revenue from academic education services was \$1.0 million, primarily due to the acquisition of CAE.
- Revenue from other services decreased by \$0.1 million, or 3.1%, to \$0.7 million in the second half of fiscal 2024, from \$0.8 million in the prior year period. Revenue from other services accounted for 1.0% of total revenue, consistent with the prior year's period. The decrease was primarily due to the decreased demand for other services, including head hunting service.

Revenues by Operational Areas

- Revenue from banking area decreased by \$0.6 million, or 2.1% to \$28.7 million in the second half of fiscal 2024, from \$29.3 million in the prior year period. Revenue from banking area accounted for 40.3% and 39.8% of total revenues in the second half of fiscal 2024 and 2023, respectively.
- Revenue from wealth management area decreased by \$1.6 million, or 8.5% to \$17.0 million in the second half of fiscal 2024, from \$18.6 million in the prior year period. Revenue from wealth management area accounted for 23.9% and 25.2% of total revenues in the second half of fiscal 2024 and 2023, respectively.
- Revenue from e-Commerce area decreased by \$1.5 million, or 13.2% to \$10.2 million in the second half of fiscal 2024, from \$11.7 million in the prior year period. Revenue from e-Commerce area accounted for 14.3% and 16.0% of total revenues in the second half of fiscal 2024 and 2023, respectively.
- Revenue from automotive area decreased by \$0.7 million, or 8.1% to \$7.0 million in the second half of fiscal 2024, from \$7.7 million in the prior year period. Revenue from automotive area accounted for 9.9% and 10.4% of total revenues in the second half of fiscal 2024 and 2023, respectively.

Revenues by Geography

- Revenue generated outside of mainland China increased by 48.0% to \$13.3 million in the second half of fiscal year 2024, from \$9.0 million in the prior year period. The increase was primarily due to strong

performance of our operations in Singapore, Hong Kong SAR and the U.S., reflecting the Company's successful and continuous implementation of its global expansion strategy.

Gross Profit

Gross profit increased by \$1.2 million, or 7.3%, to \$17.2 million in the second half of fiscal 2024, from \$16.0 million in the prior year period. The increase was primarily due to our efforts to optimize the cost of sales in response to the decrease in total revenue.

Operating Expenses

Selling and marketing expenses increased by \$1.2 million, or 199.9%, to \$1.8 million in the second half of fiscal 2024, from \$0.6 million in the prior year period. As a percentage of total revenues, selling and marketing expenses increased to 2.6% in the second half of fiscal 2024, compared to 0.8% in the prior year period. The increase was primarily due to an increase in sales staff to capture business growth opportunities.

Research and development expenses decreased by \$0.02 million, or 0.4%, to \$3.96 million in the second half of fiscal 2024, from \$3.98 million in the prior year period. As a percentage of total revenues, research and development expenses increased to 5.6% in the second half of fiscal 2024, compared to 5.4% in the prior year period. The research and development expenses approximately remained relatively stable compared to the same period last year.

General and administrative expenses increased by \$3.0 million, or 27.3%, to \$13.9 million in the second half of fiscal 2024, from \$10.9 million in the prior year period. As a percentage of total revenues, general and administrative expenses increased to 19.6% in the second half of fiscal 2024, compared to 14.9% in the prior year period. The increase was primarily due to the establishment of our CDC and GTC, which supported our efforts to capture the anticipated growth in demand for customized IT solution services.

Operating Loss

Operating loss was \$1.6 million in the second half of fiscal 2024, compared to operating loss of \$1.3 million in the same period of the previous year. Operating margin was -2.3% compared to -1.7% in the prior year period.

Other Income and Expenses

Total other income, net of other expenses was \$0.6 million in the second half of fiscal 2024, compared to \$0.5 million total other income, net of other expenses in the same period of previous year.

(Benefit) Provision for Income Taxes

Benefit for income taxes was \$0.2 million in the second half of fiscal 2024, compared to a provision for income taxes of \$0.5 million in the same period of the previous year.

Net (Loss) Income and EPS

Net loss was \$0.9 million in the second half of fiscal 2024, compared to a net loss of \$1.2 million in the prior year period.

Non-GAAP net loss¹ was \$0.4 million in the second half of fiscal 2024, compared to a Non-GAAP net income of \$1.7 million in the prior year period.

Net loss attributable to CLPS Incorporation's shareholders was \$0.8 million, or \$0.03 basic and diluted losses per share in the second half of fiscal 2024, compared to a net loss attributable to CLPS Incorporation's shareholders of \$1.1 million, or \$0.05 basic and diluted losses per share in the second half of fiscal 2023.

Non-GAAP net loss attributable to CLPS Incorporation's shareholders² was \$0.4 million, or \$0.02 basic and diluted losses per share in the second half of fiscal 2024, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$1.8 million, or \$0.08 basic and diluted earnings per share in the second half of fiscal 2023.

Audited Fiscal Year 2024 Financial Results

Revenues

Revenues decreased by \$7.6 million, or 5.0%, to \$142.8 million in the fiscal year 2024, from \$150.4 million in the prior year period. The decrease in revenue was mainly due to the decreased demand in IT consulting services.

Revenues by Service

- Revenue from IT consulting services decreased by \$7.5 million, or 5.2%, to \$136.8 million in the fiscal year 2024, from \$144.3 million in the prior year period. Revenue from IT consulting services accounted for 95.8% of total revenue, compared to 96.0% in the prior year period. The decrease was due to the decreased demand from existing clients.
- Revenue from customized IT solution services decreased by \$1.5 million, or 30.9%, to \$3.1 million in the fiscal year 2024, from \$4.6 million in the prior year period. Revenue from customized IT solution services accounted for 2.2% of total revenue, compared to 3.0% in the prior year period. The decrease was primarily due to the decreased demand from existing clients.
- Revenue from academic education services was \$1.0 million, primarily due to the acquisition of CAE.
- Revenue from other services increased by \$0.3 million, or 17.3%, to \$1.8 million in the fiscal year 2024, from \$1.5 million in the prior year period. Revenue from other services accounted for 1.2% of total revenue, compared to 1.0% in the prior year period. The increase was primarily due to the increased demand for other services, including software sales.

Revenues by Operational Areas

- Revenue from banking area decreased by \$4.3 million, or 7.1% to \$57.2 million in the fiscal year 2024, from \$61.5 million in the prior year period. Revenue from banking area accounted for 40.0% and 40.9% of total revenues in the fiscal year 2024 and 2023, respectively.
- Revenue from wealth management area decreased by \$1.8 million, or 4.7% to \$35.6 million in the fiscal year 2024, from \$37.4 million in the prior year period. Revenue from wealth management area accounted for 24.9% of total revenues in the fiscal year 2024, consistent with the prior year's period.
- Revenue from e-Commerce area decreased by \$4.3 million, or 17.0% to \$21.2 million in the fiscal year 2024, from \$25.5 million in the prior year period. Revenue from e-Commerce area accounted for

14.8% and 16.9% of total revenues in the fiscal year 2024 and 2023, respectively.

- Revenue from automotive area increased by \$75.7 thousand, or 0.5% to \$14.25 million from \$14.17 million in the prior year period. Revenue from automotive area accounted for 10.0% and 9.4% of total revenues in the fiscal year 2024 and 2023, respectively.

Revenues by Geography

- Revenue generated outside of mainland China increased by 37.9% to \$22.3 million in the fiscal year 2024, from \$16.2 million in the prior year period. The increase was due to strong performance of our operations in Singapore, Hong Kong SAR and the U.S., reflecting the Company's successful and continuous implementation of its global expansion strategy.

Gross Profit

Gross profit decreased by \$1.6 million, or 4.5%, to \$32.9 million in the fiscal year 2024, from \$34.5 million in the prior year period. The decrease was primarily attributed to a decline in total revenue.

Operating Expenses

Selling and marketing expenses increased by \$1.3 million, or 38.6%, to \$4.6 million in the fiscal year 2024, from \$3.3 million in the prior year period. As a percentage of total revenues, selling and marketing expenses increased to 3.2% in the fiscal year 2024, compared to 2.2% in the prior year period. The increase was primarily due to an increase in sales staff to capture business growth opportunities.

Research and development expenses decreased by \$1.1 million, or 14.2%, to \$7.2 million in the fiscal year 2024, from \$8.3 million in the prior year period. As a percentage of total revenues, research and development expenses decreased to 5.0% in the fiscal year 2024, compared to 5.5% in the prior year period. The decrease was primarily due to a strategic realignment of our R&D department.

General and administrative expenses increased by \$3.5 million, or 16.1%, to \$25.1 million in the fiscal year 2024, from \$21.6 million in the prior year period. As a percentage of total revenues, general and administrative expenses increased to 17.6% in the fiscal year 2024, compared to 14.4% in the prior year period. The increase was primarily due to the establishment of our CDC and GTC, which supported our efforts to capture the anticipated growth in demand for customized IT solution services.

Operating (Loss) Income

Operating loss was \$2.5 million, compared to an operating income of \$76.4 thousand in the same period of the previous year. Operating margin was -1.8% in the fiscal year 2024, compared to 0.1% in the prior year period.

Other Income and Expenses

Total other income, net of other expenses was \$0.70 million in the fiscal year 2024, compared to \$0.69 million total other income, net of other expenses in the prior year period.

Provision for Income Taxes

Provision for income taxes was \$0.2 million in the fiscal year 2024, compared to a provision for income taxes of \$0.7 million in the same period of the previous year.

Net (Loss) Income and EPS

Net loss was \$1.8 million in the fiscal year 2024, compared to a net income of \$0.2 million in the prior year period.

Non-GAAP net income¹ decreased by \$3.7 million, or 73.7%, to \$1.3 million in the fiscal year 2024, from \$5.0 million in the same period of the previous year.

Net loss attributable to CLPS Incorporation's shareholders was \$2.3 million, or \$0.09 basic and diluted losses per share in the fiscal year 2024, compared to net income attributable to CLPS Incorporation's shareholders of \$0.2 million, or \$0.01 basic and diluted earnings per share in fiscal year 2023.

Non-GAAP net income attributable to CLPS Incorporation's shareholders² was \$0.8 million, or \$0.03 basic and diluted earnings per share in the fiscal year 2024, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$5.1 million, or \$0.22 basic and diluted earnings per share in the fiscal year 2023.

Cash Flow

As of June 30, 2024, the Company had cash and cash equivalents of \$29.1 million compared to \$22.2 million as of June 30, 2023.

Net cash provided by operating activities was \$8.9 million for the twelve months ended June 30, 2024. Net cash used in investing activities was \$12.3 million. Net cash provided by financing activities was approximately \$10.2 million. The effect of exchange rate change on cash was approximately negative \$28.5 thousand. The Company believes that its current cash position and cash flow from operations are sufficient to meet its anticipated cash needs for at least the next 12 months.

Financial Outlook

Undeterred by the short-term challenges, we remain confident about our long-term business growth. For fiscal year 2025, the Company expects, considering our financial numbers could be affected by the floating exchange rate, and absent material acquisitions or non-recurring transactions, total sales growth in the range of approximately 12% to 17%, non-GAAP net income growth in the range of approximately 15% to 20% compared to fiscal year 2024 financial results.

This forecast reflects the Company's current and preliminary views, which are subject to change and are subject to risks and uncertainties, including, but not limited to various risks and uncertainties facing the Company's business and operations as identified in its public filings.

Exchange Rate

The balance sheet amounts with the exception of equity as of June 30, 2024, were translated at 7.2672 RMB to 1.00 USD compared to 7.2513 RMB to 1.00 USD as of June 30, 2023. The equity accounts were stated at their historical rate. The average translation rates applied to the income statements accounts for the periods ended June 30, 2024 and 2023 were 7.2248 RMB to 1.00 USD and 6.9536 RMB to 1.00 USD, respectively. The change in the value of the RMB relative to the U.S. dollar may affect our financial results reported in the U.S. dollar terms without giving effect to any underlying change in our business or results

of operation.

About CLPS Incorporation

Headquartered in Hong Kong, CLPS Incorporation is a leading global information technology ("IT") consulting and solutions service provider, primarily focused on serving global institutions in the banking, wealth management, e-commerce, and automotive sectors. As an IT services provider for a growing network of clients within the fintech and financial services industry, CLPS has expanded its business beyond core IT services, venturing into the loan, e-commerce, academic education, and tourism sectors. Through its diversified offerings, CLPS is committed to providing comprehensive services and solutions for its clients. The Company maintains 20 delivery and/or research & development centers to serve different customers in various geographic locations. Mainland China centers are located in Shanghai, Beijing, Dalian, Tianjin, Xi'an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan. The remaining 10 global centers are located in Hong Kong SAR, USA, Japan, Singapore, Australia, Malaysia, India, Philippines, Canada, and UAE. For further information regarding the Company, please visit: <https://ir.clpsglobal.com/>, or follow CLPS on [Facebook](#), [Instagram](#), [LinkedIn](#), [X \(formerly Twitter\)](#), and [YouTube](#).

Forward-Looking Statements

Certain of the statements made in this press release are "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All such statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties related to the Company's financial and operational performance in the second half and full year of fiscal 2024, its expectations of the Company's future performance, its preliminary outlook and guidance offered in this presentation, as well as the risks and uncertainties described in the Company's most recently filed SEC reports and filings. Such reports are available upon request from the Company, or from the Securities and Exchange Commission, including through the SEC's Internet website at <http://www.sec.gov>. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date hereof, or after the respective dates on which any such statements otherwise are made.

Use of Non-GAAP Financial Measures

The consolidated financial information is prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except that the consolidated statement of changes in shareholders' equity, consolidated statements of cash flows, and the detailed notes have not

been presented. The Company uses non-GAAP operating income (loss), non-GAAP general and administrative expenses, non-GAAP operating margin, non-GAAP net income (loss) attributable to CLPS Incorporation's shareholders, and basic and diluted non-GAAP earnings (losses) per share, which are non-GAAP financial measures. Non-GAAP operating income (loss) is operating income (loss) excluding share-based compensation expenses. Non-GAAP general and administrative expenses is a non-GAAP financial measure, which is defined as general and administrative expenses excluding share-based compensation expenses. Non-GAAP operating margin is non-GAAP operating income as a percentage of revenues. Non-GAAP net income (loss) attributable to CLPS Incorporation's shareholders is net income (loss) attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Basic and diluted non-GAAP earnings (losses) per share is non-GAAP net income (loss) attributable to common shareholders divided by weighted average number of shares used in the calculation of basic and diluted net income per share. The Company believes that separate analysis and exclusion of the non-cash impact of share-based compensation expenses clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses the non-GAAP financial measure for planning, forecasting and measuring results against the forecast. The Company believes that non-GAAP financial measure is useful supplemental information for investors and analysts to assess its operating performance without the effect of non-cash share-based compensation expenses, which have been and will continue to be significant recurring expenses in its business. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact the Company's net income for the period. In addition, because non-GAAP financial measures are not measured in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not consider non-GAAP financial measure in isolation from or as an alternative to the financial measure prepared in accordance with U.S. GAAP.

The presentation of these non-GAAP financial measures is not intended to be considered in isolation from, or as a substitute for, the financial information prepared and presented in accordance with U.S. GAAP. The Company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. For more information on these non-GAAP financial measures, please see the table captioned "Reconciliations of Non-GAAP and GAAP Results" near the end of this release.

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- ¹ Non-GAAP net loss/income is a non-GAAP financial measure, which is defined as net loss/income excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details.
- ² Non-GAAP net loss/income attributable to CLPS Incorporation's shareholders is a non-GAAP financial measure, which is defined as net loss/income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details.

CLPS INCORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in U.S. dollars (“\$”), except for number of shares)

	As of	
	June 30, 2024	December 31, 2023
	<u>(Audited)</u>	<u>(Unaudited)</u>
ASSETS		
Current assets:		
Cash and cash equivalents	29,116,431	35,108,870
Restricted cash	24,081	89,539
Short-term investments	2,100,000	-
Accounts receivable, net	38,779,209	39,092,817
Prepayments, deposits and other assets, net	4,497,578	3,279,971
Amounts due from related parties	3,559,109	465,582
Total Current Assets	<u>\$ 78,076,408</u>	<u>\$ 78,036,779</u>
Non-Current assets:		
Property and equipment, net	21,168,524	21,404,190
Intangible assets, net	2,254,372	689,783
Operating lease right-of-use assets	2,776,858	3,006,854
Goodwill	1,473,899	-
Long-term investments	613,807	612,843
Prepayments, deposits and other assets, net	594,603	1,614,426
Amounts due from related parties	2,374,298	422,541
Deferred tax assets, net	697,047	115,975
Total Assets	<u>\$110,029,816</u>	<u>\$ 105,903,391</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loans	\$ 23,232,856	\$ 15,699,530
Accounts payable	949,137	925,425
Accrued expenses and other current liabilities	799,495	379,474
Tax payables	2,351,615	1,860,960
Contract liabilities	1,139,001	1,189,953
Salaries and benefits payable	9,941,541	13,228,752
Operating lease liabilities	1,361,928	1,230,907
Amount due to related parties	20,230	25,344
Total Current Liabilities	<u>\$ 39,795,803</u>	<u>\$ 34,540,345</u>

Non-Current liabilities:		
Operating lease liabilities	1,638,243	1,906,298
Deferred tax liabilities	378,344	111,057
Unrecognized tax benefit	3,413,850	2,843,667
Other non-current liabilities	883,963	904,793
Total Liabilities	\$ 46,110,203	\$ 40,306,160
Commitments and Contingencies		
Shareholders' Equity		
Common shares, \$0.0001 par value, 100,000,000 shares authorized; 25,640,056 shares issued and outstanding as of June 30, 2024; 25,616,056 shares issued and outstanding as of December 31, 2023	2,564	2,562
Additional paid-in capital	61,351,200	60,914,080
Statutory reserves	5,553,104	5,517,142
(Accumulated deficit) retained earnings	(51,728)	826,631
Accumulated other comprehensive losses	(4,345,902)	(3,116,935)
Total CLPS Incorporation's Shareholders' Equity	62,509,238	64,143,480
Noncontrolling Interests	1,410,375	1,453,751
Total Shareholders' Equity	63,919,613	65,597,231
Total Liabilities and Shareholders' Equity	\$110,029,816	\$ 105,903,391

CLPS INCORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS

(Amounts in U.S. dollars (“\$”), except for number of shares)

	For the six months ended	
	June 30,	
	2024	2023
Revenue	\$ 71,038,525	\$ 73,595,728
Cost of revenue (note 1)	(53,841,552)	(57,574,881)
Gross profit	17,196,973	16,020,847
Operating income (expenses):		
Selling and marketing expenses (note 1)	(1,849,118)	(616,480)
Research and development expenses	(3,961,031)	(3,977,785)
General and administrative expenses (note 1)	(13,935,384)	(10,946,729)
Impairment of goodwill	-	(2,382,538)
Subsidies and other operating income	926,159	635,368
Total operating expenses	(18,819,374)	(17,288,164)
Losses from operations	(1,622,401)	(1,267,317)
Other income	943,448	723,695
Other expenses	(358,372)	(246,662)
Loss before income tax and share of income in equity investees	(1,037,325)	(790,284)
(Benefit) provision for income taxes	(176,838)	489,148
Loss before share of income in equity investees	(860,487)	(1,279,432)
Share of income in equity investees, net of tax	6,632	47,686
Net loss	(853,855)	(1,231,746)
Less: Net loss attributable to noncontrolling interests	(11,425)	(156,845)
Net loss attributable to CLPS Incorporation’s shareholders	\$ (842,430)	\$ (1,074,901)
Other comprehensive loss		
Foreign currency translation loss	\$ (1,260,918)	\$ (2,785,938)
Less: Foreign currency translation loss attributable to noncontrolling interests	(31,951)	(57,097)
Other comprehensive loss attributable to CLPS Incorporation’s shareholders	\$ (1,228,967)	\$ (2,728,841)
Comprehensive loss attributable to CLPS Incorporation’s shareholders		
	\$ (2,071,397)	\$ (3,803,742)
Comprehensive loss attributable to noncontrolling	(43,376)	(213,942)

interests		
Comprehensive loss	\$ (2,114,773)	\$ (4,017,684)
Basic losses per common share	\$ (0.03)	\$ (0.05)
Weighted average number of share outstanding – basic	25,619,294	23,629,200
Diluted losses per common share	\$ (0.03)	\$ (0.05)
Weighted average number of share outstanding – diluted	25,619,294	23,629,200
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	5,658	5,141
Selling and marketing expenses	82,615	68,969
General and administrative expenses	348,850	461,114

CLPS INCORPORATION
RECONCILIATION OF NON-GAAP AND GAAP RESULTS- UNAUDITED

(Amounts in U.S. dollars (“\$”), except for number of shares)

	For the six months ended	
	June 30,	
	2024	2023
Cost of revenue	\$ (53,841,552)	\$ (57,574,881)
Less: share-based compensation expenses	(5,658)	(5,141)
Non-GAAP cost of revenue	\$ (53,835,894)	\$ (57,569,740)
Selling and marketing expenses	\$ (1,849,118)	\$ (616,480)
Less: share-based compensation expenses	(82,615)	(68,969)
Non-GAAP selling and marketing expenses	\$ (1,766,503)	\$ (547,511)
General and administrative expenses	\$ (13,935,384)	\$ (10,946,729)
Less: share-based compensation expenses	(348,850)	(461,114)
Non-GAAP general and administrative expenses	\$ (13,586,534)	\$ (10,485,615)
Operating losses	\$ (1,622,401)	\$ (1,267,317)
Add: share-based compensation expenses	437,123	535,224
Add: Impairment of goodwill	-	2,382,538
Non-GAAP operating (loss) income	\$ (1,185,278)	\$ 1,650,445
Operating margin	(2.3%)	(1.7%)
Add: share-based compensation expenses	0.6%	0.7%
Add: Impairment of goodwill	-	3.2%
Non-GAAP operating margin	(1.7%)	2.2%
Net losses	\$ (853,855)	\$ (1,231,746)
Add: share-based compensation expenses	437,123	535,224
Add: Impairment of goodwill	-	2,382,538
Non-GAAP net (loss) income	\$ (416,732)	\$ 1,686,016

Net losses attributable to CLPS Incorporation's shareholders	\$	(842,430)	\$	(1,074,901)
Add: share-based compensation expenses		437,123		535,224
Add: Impairment of goodwill		-		2,382,538
Non-GAAP net (loss) income attributable to CLPS Incorporation's shareholders	\$	(405,307)	\$	1,842,861

Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		25,619,294		23,629,200
GAAP basic losses per common share	\$	(0.03)	\$	(0.05)
Add: share-based compensation expenses		0.01		0.13
Non-GAAP basic (losses) earnings per common share	\$	(0.02)	\$	0.08

Weighted average number of share outstanding used in computing GAAP diluted earnings		25,619,294		23,629,200
Weighted average number of share outstanding used in computing non-GAAP diluted earnings		25,619,294		23,629,200

GAAP diluted losses per common share	\$	(0.03)	\$	(0.05)
Add: share-based compensation expenses		0.01		0.13
Non-GAAP diluted (losses) earnings per common share	\$	(0.02)	\$	0.08

CLPS INCORPORATION
AUDITED CONSOLIDATED BALANCE SHEETS
(Amounts in U.S. dollars (“\$”), except for number of shares)

	As of June 30,	
	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,116,431	\$ 22,214,029
Restricted cash	24,081	87,604
Short-term investments	2,100,000	-
Accounts receivable, net	38,779,209	48,515,467
Prepayments, deposits and other assets, net	4,497,578	1,665,736
Amounts due from related parties	3,559,109	391,271
Total Current Assets	78,076,408	72,874,107
Non-current assets:		
Property and equipment, net	21,168,524	20,112,305
Intangible assets, net	2,254,372	726,175
Goodwill	1,473,899	-
Operating lease right-of-use assets	2,776,858	815,324
Long-term investments	613,807	456,598
Prepayments, deposits and other assets, net	594,603	252,656
Amounts due from related parties	2,374,298	-
Deferred tax assets, net	697,047	81,899
Total Assets	\$ 110,029,816	\$ 95,319,064
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	\$ 23,232,856	\$ 10,554,617
Accounts payable	949,137	690,035
Accrued expenses and other current liabilities	799,495	324,021
Tax payables	2,351,615	2,503,375
Contract liabilities	1,139,001	918,470
Salaries and benefits payable	9,941,541	10,586,239
Operating lease liabilities	1,361,928	712,302
Amounts due to related party	20,230	24,889
Total Current Liabilities	39,795,803	26,313,948
Non-current liabilities		
Operating lease liabilities	1,638,243	104,114
Unrecognized tax benefits	3,413,850	2,320,918
Deferred tax liabilities	378,344	185,382

Other non-current liabilities	883,963	885,901
Total Liabilities	<u>46,110,203</u>	<u>29,810,263</u>

Commitments and Contingencies

Shareholders' Equity

Common shares, \$0.0001 par value, 100,000,000 shares authorized; 25,640,056 shares issued and outstanding as of June 30, 2024; 23,650,122 shares issued and outstanding as of June 30, 2023

	2,564	2,365
Additional paid-in capital	61,351,200	58,183,383
Statutory reserves	5,553,104	5,356,828
Retained earnings	(51,728)	5,029,021
Accumulated other comprehensive losses	(4,345,902)	(3,990,594)

Total CLPS Incorporation's Shareholders' Equity	<u>62,509,238</u>	<u>64,581,003</u>
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Noncontrolling Interests	<u>1,410,375</u>	<u>927,798</u>
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Total Shareholders' Equity	<u>63,919,613</u>	<u>65,508,801</u>
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Total Liabilities and Shareholders' Equity	<u>\$ 110,029,816</u>	<u>\$ 95,319,064</u>
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CLPS INCORPORATION
AUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS

(Amounts in U.S. dollars (“\$”), except for number of shares)

	For the years ended	
	June 30,	
	2024	2023
Revenue from third parties	\$ 142,725,554	\$ 150,298,963
Revenue from related party	87,172	57,576
Cost of revenue from third parties (note 1)	(109,795,857)	(115,827,597)
Cost of revenue from related party	(69,738)	(47,212)
Gross profit	32,947,131	34,481,730
Operating income (expenses):		
Selling and marketing expenses (note 1)	(4,573,344)	(3,300,555)
Research and development expenses	(7,155,949)	(8,336,999)
General and administrative expenses (note 1)	(25,120,010)	(21,641,317)
Impairment of goodwill	-	(2,382,538)
Subsidies and other operating income	1,363,757	1,256,070
Total operating expenses	(35,485,546)	(34,405,339)
(Loss) income from operations	(2,538,415)	76,391
Other income	1,251,465	1,123,612
Other expenses	(556,415)	(430,357)
(Loss) income before income tax and share of income in equity investees	(1,843,365)	769,646
Provision for income taxes	160,725	674,344
(Loss) income before share of income in equity investees	(2,004,090)	95,302
Share of income in equity investees, net of tax	156,780	70,263
Net (loss) income	(1,847,310)	165,565
Less: Net income (loss) attributable to noncontrolling interests	482,655	(26,964)
Net (loss) income attributable to CLPS Incorporation’s shareholders	\$ (2,329,965)	\$ 192,529
Other comprehensive loss		
Foreign currency translation loss	\$ (355,386)	\$ (3,532,507)
Less: Foreign currency translation loss attributable to noncontrolling interests	(78)	(92,161)
Other comprehensive loss attributable to CLPS Incorporation’s shareholders	\$ (355,308)	\$ (3,440,346)

Comprehensive loss attributable to		
CLPS Incorporation's shareholders	\$ (2,685,273)	\$ (3,247,817)
Comprehensive income (loss) attributable to noncontrolling interests	482,577	(119,125)
Comprehensive loss	\$ (2,202,696)	\$ (3,366,942)
Basic (losses) earnings per common share	\$ (0.09)	\$ 0.01
Weighted average number of share outstanding – basic	25,213,012	23,153,976
Diluted (losses) earnings per common share	\$ (0.09)	\$ 0.01
Weighted average number of share outstanding – diluted	25,213,012	23,153,976
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	11,467	16,212
Selling and marketing expenses	275,562	129,060
General and administrative expenses	2,880,987	2,333,024

CLPS INCORPORATION
RECONCILIATION OF NON-GAAP AND GAAP RESULTS- UNAUDITED

(Amounts in U.S. dollars (“\$”), except for number of shares)

	For the years ended	
	June 30,	
	2024	2023
Cost of revenue	\$ (109,865,595)	\$ (115,874,809)
Less: share-based compensation expenses	(11,467)	(16,212)
Non-GAAP cost of revenue	\$ (109,854,128)	\$ (115,858,597)
Selling and marketing expenses	\$ (4,573,344)	\$ (3,300,555)
Less: share-based compensation expenses	(275,562)	(129,060)
Non-GAAP selling and marketing expenses	\$ (4,297,782)	\$ (3,171,495)
General and administrative expenses	\$ (25,120,010)	\$ (21,641,317)
Less: share-based compensation expenses	(2,880,987)	(2,333,024)
Non-GAAP general and administrative expenses	\$ (22,239,023)	\$ (19,308,293)
Operating (loss) income	\$ (2,538,415)	\$ 76,391
Add: share-based compensation expenses	3,168,016	2,478,296
Add: Impairment of goodwill	-	2,382,538
Non-GAAP operating income	\$ 629,601	\$ 4,937,225
Operating margin	(1.8%)	0.1%
Add: share-based compensation expenses and impairment of goodwill	2.2%	3.2%
Non-GAAP operating margin	0.4%	3.3%
Net (loss) income	\$ (1,847,310)	\$ 165,565
Add: share-based compensation expenses	3,168,016	2,478,296
Add: Impairment of goodwill	-	2,382,538
Non-GAAP net income	\$ 1,320,706	\$ 5,026,399
Net (loss) income attributable to CLPS Incorporation's shareholders	\$ (2,329,965)	\$ 192,529
Add: share-based compensation expenses	3,168,016	2,478,296
Add: Impairment of goodwill	-	2,382,538

Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$	<u>838,051</u>	\$	<u>5,053,363</u>
Weighted average number of share outstanding used in computing GAAP and non-GAAP basic (losses) earnings		25,213,012		23,153,976
GAAP basic (losses) earnings per common share	\$	(0.09)	\$	0.01
Add: share-based compensation expenses and impairment of goodwill		0.12		0.21
Non-GAAP basic earnings per common share	\$	<u>0.03</u>	\$	<u>0.22</u>
Weighted average number of share outstanding used in computing GAAP and non-GAAP diluted (losses) earnings		25,213,012		23,153,976
GAAP diluted (losses) earnings per common share	\$	(0.09)	\$	0.01
Add: share-based compensation expenses and impairment of goodwill		0.12		0.21
Non-GAAP diluted earnings per common share	\$	<u>0.03</u>	\$	<u>0.22</u>