

CLPS Incorporation Reports Unaudited Financial Results for the Second Half and Full Year of Fiscal Year 2019

SHANGHAI, Oct. 18, 2019 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), a leading information technology ("IT") consulting and solutions service provider focusing on the banking, insurance and financial sectors in China and globally, today announced its unaudited financial results for the six months and fiscal year ended June 30, 2019.

Second Half of Fiscal 2019 Highlights (all results compared to the six months ended June 30, 2018)

- Revenues increased by 27.7% to \$34.1 million from \$26.7 million.
- Gross profit increased by 43.0% to \$12.6 million from \$8.8 million.
- Net loss attributable to CLPS Incorporation's shareholders of \$1.8 million, or \$0.13 basic and diluted loss per share, compared to net income attributable to CLPS Incorporation's shareholders of \$1.1 million, or \$0.10 basic and \$0.09 diluted earnings per share.
- Non-GAAP net income attributable to CLPS Incorporation's shareholders^[1] increased by 5.6% to \$1.2 million, or \$0.08 basic and diluted earnings per share, from \$1.1 million, or \$0.10 basic and \$0.09 diluted earnings per share (See Use of **Non-GAAP Financial Measures** below for a discussion of such measures as used in this press release).

Fiscal Year 2019 Highlights (all results compared to the twelve months ended June 30, 2018)

- Revenues increased by 32.7% to \$64.9 million from \$48.9 million.
- Gross profit increased by 34.5% to \$23.8 million from \$17.7 million.
- Net loss attributable to CLPS Incorporation's shareholders of \$3.3 million, or \$0.24 basic and diluted loss per share, compared to net income attributable to CLPS Incorporation's shareholders of \$2.4 million, or \$0.21 basic and diluted earnings per share.
- Non-GAAP net income attributable to CLPS Incorporation's shareholders^[1] increased by 53.9% to \$3.7 million, or \$0.27 basic and diluted earnings per share, from \$2.4 million, or \$0.21 basic and diluted earnings per share (See Use of **Non-GAAP Financial Measures** below for a discussion of such measures as used in this press release).

Mr. Raymond Lin, Chief Executive Officer of CLPS, commented, "During the second half of our 2019 fiscal year, we continued to grow revenues by double digits, resulting in full year sales growth of 32.7%, which was in line with our expectations. Our non-GAAP net income for the fiscal year grew by 32.0%, which was also in line with our expectations. Our client retention was 98% during this period, which accentuates the high quality services we provided to our clients."

"Our strong performance was driven by the continued execution of our growth strategy of geographic and market growth, developing applications of industry-leading technology, and attracting and retaining quality talent. During the second half of fiscal 2019, we followed our InfoGain acquisition with an increased stake in CLPS Lihong Financial Information Services Co., Ltd., an online lending platform in China, and made a

strategic investment in Economic Modeling Information Technology Co., Ltd., a financial modeling and big data analysis services provider. We have also made further progress with our research and development efforts, including developing real-world applications of technologies such as blockchain, robotic process automation, cloud computing, and big data. Our talent development partners now include the Shanghai University of Finance and Economics, Shanghai Sanda University, Ngee Ann Polytechnic in Singapore, and China's Ministry of Education through its 2019 Industry-University Cooperative Educational Program, among others."

"Over the next fiscal year, we remain focused on investing in our long-term sustainable growth and delivering on our dual-engine strategy of horizontal and vertical expansion. We will continue to pursue growth in our global footprint and market share as well as in technological and talent development. By delivering on our strategy, we expect to drive shareholder value," concluded Mr. Lin.

Second Half and Fiscal Year 2019 Financial Results

Revenues

In the second half of fiscal 2019, revenues increased by \$7.4 million, or 27.7%, to \$34.1 million from \$26.7 million in the prior year period. For the year ended June 30, 2019, revenues increased by \$16.0 million, or 32.7%, to \$64.9 million from \$48.9 million in the prior year period. This increase in revenue was mainly due to an increase in revenue from IT consulting services.

Revenue from IT consulting services increased by \$6.5 million, or 25.4%, to \$32.0 million and accounted for 93.7% of total revenue in the second half of fiscal 2019 compared to \$25.5 million, or 95.5% of total revenue, in the same period of the previous year. For the year ended June 30, 2019, revenue from IT consulting services increased by \$14.6 million, or 30.9%, to \$61.8 million and accounted for 95.1% of total revenue from \$47.2 million, or 96.4% of total revenue, in the same period of the previous year. The increase was due to increased demand for the Company's IT consulting service from banks and other financial institutions, primarily from existing clients. For the twelve months ended June 30, 2019 and 2018, 47.5% and 46.8% of IT consulting services revenue were from international banks, respectively.

Revenue from customized IT solution services increased by \$1.0 million, or 89.0%, to \$2.1 million in the second half of fiscal 2019 from \$1.1 million in the same period of the previous year. Revenue from customized IT solution services increased by \$1.4 million, or 86.1%, to \$3.0 million for the year ended June 30, 2019, from \$1.6 million in the same period of the previous year. The increase was primarily due to growth from existing clients.

During the second half of fiscal 2019, revenue from other services decreased by \$0.06 million to \$0.04 million from \$0.1 million in the same period of the previous year. During fiscal 2019, revenue from other services remained relatively flat at \$0.1 million for the year ended June 30, 2019, compared to the prior year period.

Gross Profit and Gross Margin

Gross profit increased by \$3.8 million, or 43.0%, to \$12.6 million in the second half of fiscal 2019 from \$8.8 million in the prior year period. Gross margin increased to 36.9% in the second half of fiscal 2019 compared to 32.9% in the prior year period.

Gross profit increased by \$6.1 million, or 34.5%, to \$23.8 million for the year ended June 30, 2019, from \$17.7 million in the prior year period. Gross margin increased to 36.6% for the year ended June 30, 2019, compared to 36.1% in the prior year period. The increase in gross margin was primarily due to an increase in billing rates of both IT consulting services and customized IT solution services.

Operating Expenses

Selling and marketing expenses increased by \$0.1 million, or 10.4%, to \$1.2 million in the second half of fiscal 2019 from \$1.1 million in the prior year period. Selling and marketing expenses remained relatively flat at \$2.2 million for the year ended June 30, 2019, compared to the prior year period.

Research and development expenses increased by \$0.7 million, or 15.5%, to \$4.9 million in the second half of fiscal 2019 from \$4.3 million in the prior year period. Research and development expenses increased by \$0.2 million, or 1.8% to \$8.0 million for the year ended June 30, 2019, from \$7.8 million in the prior year period.

General and administrative expenses increased by \$5.4 million, or 192.9%, to \$8.2 million in the second half of fiscal 2019 from \$2.8 million in the prior year period. The increase was primarily due to an addition of \$2.9 million non-cash share-based compensation expenses related to the grants under the 2017 Equity Incentive Plan. After the deduction of non-cash share-based compensation expenses, non-GAAP general and administrative expenses² increased by \$2.5 million, or 87.9%, to \$5.3 million in the second half of fiscal 2019 from \$2.8 million in the same period of the previous year.

General and administrative expenses increased by \$11.5 million, or 196.1%, to \$17.4 million for the year ended June 30, 2019, from \$5.9 million in the prior year period. The increase was primarily due to an addition of \$7.0 million non-cash share-based compensation expenses related to the grants under the 2017 Equity Incentive Plan. After the deduction of non-cash share-based compensation expenses, non-GAAP general and administrative expenses^[2] increased by \$4.5 million, or 77.5%, to \$10.4 million for the year ended June 30, 2019, from \$5.9 million in the same period of the previous year. The increase in non-GAAP administrative expenses was primarily due to routine expenses incurred after going public and due to a year-over-year increase in salary and compensation expenses.

Operating Loss

Operating loss was \$1.8 million in the second half of fiscal 2019 compared to an income of \$0.6 million in the same period of the previous year. After the deduction of non-cash share-based compensation expenses, non-GAAP operating income^[3] increased by \$0.6 million, or 93.9%, to \$1.2 million in the second half of fiscal 2019 from \$0.6 million in the same period of the previous year. Non-GAAP operating margin^[4] increased to 3.6% in the second half of fiscal 2019 from 2.3% in the prior year period.

Operating loss was \$3.8 million for the year ended June 30, 2019, compared to an operating income of \$1.7 million in the same period of the previous year. After the deduction of non-cash share-based compensation expenses, non-GAAP operating income^[3] increased by \$1.5 million, or 87.0%, to \$3.2 million for the year ended June 30, 2019, from \$1.7 million in the same period of the previous year. Non-GAAP operating margin^[4] increased to 5.0% for the year ended June 30, 2019, from 3.5% in the prior year period.

Other Income and Expenses

Subsidies and other income decreased to \$0.1 million in the second half of fiscal 2019 from \$0.5 million in the same period of the previous year.

Subsidies and other income decreased to \$0.7 million for the year ended June 30, 2019, from \$0.9 million in the same period of the previous year.

Income Taxes

Income tax benefits were approximately \$0.1 million in the second half of fiscal 2019 compared to benefits of \$0.2 million in the same period of the previous year, mainly due to the increase of current income tax expenses.

Provision for income tax was \$0.2 million for the year ended June 30, 2019, compared to benefits of \$0.1 million in fiscal 2018, mainly due to a reverse of the beginning balances of deferred tax assets related to the net operating losses for some of the Company's subsidiaries.

Net Loss and Loss Per Share

Net loss for the second half of fiscal 2019 was \$1.7 million compared to an income of \$1.4 million in the prior year period. After the deduction of non-cash share-based compensation expenses, non-GAAP net income^[5] decreased by \$0.1 million, or 9.7%, to \$1.3 million in the second half of fiscal 2019 from \$1.4 million in the same period of the previous year. After the deduction of non-controlling interests, net loss attributable to CLPS Incorporation's shareholders in the second half of fiscal 2019 was \$1.8 million, or \$0.13 basic and diluted loss per share. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income attributable to CLPS Incorporation's shareholders^[1] in the second half of fiscal 2019 was \$1.2 million, or \$0.08 basic and diluted earnings per share. This is compared to net income attributable to CLPS Incorporation's shareholders of \$1.1 million, or \$0.10 basic and \$0.09 diluted earnings per share, in the second half of fiscal 2018.

Net loss for the year ended June 30, 2019, was \$3.4 million compared to a net income of \$2.7 million in the prior year period. The decrease in net income was due to the increase in non-cash share-based compensation expenses. After the deduction of non-cash share-based compensation expenses, non-GAAP net income^[5] increased by \$0.9 million, or 32.0%, to \$3.6 million for the year ended June 30, 2019, from \$2.7 million in the same period of the previous year. After the deduction of non-controlling interests, net loss attributable to CLPS Incorporation's shareholders for the year ended June 30, 2019, was \$3.3 million, or \$0.24 basic and diluted loss per share. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income attributable to CLPS Incorporation's shareholders¹ for the year ended June 30, 2019, was \$3.7 million, or \$0.27 basic and diluted earnings per share. This is compared to net income attributable to CLPS Incorporation's shareholders of \$2.4 million, or \$0.21 basic and diluted earnings per share, in the prior year period.

Cash Flow

As of June 30, 2019, the Company had cash and cash equivalents of \$6.6 million compared to \$9.7 million as of June 30, 2018.

Net cash provided by operating activities was approximately \$0.4 million for the twelve months ended June 30, 2019. Net cash used in investing activities was approximately \$3.9 million. Net cash

provided by financing activities was approximately \$0.5 million. 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

For fiscal year 2020, the Company expects, absent material acquisitions or non-recurring transactions, total sales growth in the range of approximately 30% to 35%, and non-GAAP net income growth in the range of approximately 32% to 37%, compared to 2019. The foregoing guidance includes estimated 2020 financial results of the RiDik acquisition, an entity in which we acquired 80% equity stake in September 2019. In addition, this guidance necessarily assumes no significant adverse price changes during fiscal year 2020.

This forecast reflects our current and preliminary views, which are subject to change and are subject to risks and uncertainties, including, but not limited to, potential accounting adjustments attributable to RiDik acquisition as well as various risks and uncertainties facing our business and operations as identified in our public filings.

Exchange Rate

The balance sheet amounts with the exception of equity as of June 30, 2019, were translated at a rate of RMB6.8650 to USD1.00 compared to RMB6.6171 to USD1.00 as of June 30, 2018. 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, 2019 and 2018 were RMB6.8211 to USD1.00 and RMB6.5023 to USD1.00, respectively. The change in the value of the RMB relative to the U.S. dollar may affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operation.

About CLPS Incorporation

Headquartered in Shanghai, China, CLPS Incorporation (the "Company") (Nasdaq: CLPS) is a global leading information technology ("IT"), consulting and solutions service provider focusing on the banking, insurance and financial sectors. The Company serves as an IT solutions provider to a growing network of clients in the global financial industry, including large financial institutions in the US, Europe, Australia and Hong Kong and their PRC-based IT centers. The Company maintains ten delivery and/or research & development centers to serve different customers in various geographic locations. Mainland China centers are located in Shanghai, Beijing, Dalian, Tianjin, Chengdu, Guangzhou and Shenzhen. The remaining three global centers are located in Hong Kong, Singapore and Australia. For further information regarding the Company, please visit: <http://ir.clpsglobal.com/>.

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 fiscal year of 2020, 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 condensed 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, non-GAAP operating margin, non-GAAP net income attributable to CLPS Incorporation's shareholders, and basic and diluted non-GAAP net income per share, which are non-GAAP financial measures. Non-GAAP operating income is operating income excluding share-based compensation expenses. Non-GAAP operating margin is non-GAAP operating income as a percentage of revenues. Non-GAAP net income attributable to CLPS Incorporation's shareholders is net income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Basic and diluted non-GAAP net income per share is non-GAAP net income 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 tables captioned "Reconciliations of Non-GAAP to GAAP Results" for the second half of fiscal year 2019 and "Reconciliations of Non-GAAP to GAAP Results" for the full year of fiscal year 2019 near the end of this release.

Contact:

CLPS Incorporation

Email: ir@clpsglobal.com

ICR Inc.

Rose Zu

Phone: +646-405-4868

Email: ir@clpsglobal.com

^[1] Non-GAAP net income attributable to CLPS Incorporation's shareholders is a non-GAAP financial measure, which is defined as net income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Please refer to the sections titled "Reconciliations of Non-GAAP to GAAP Results" for the second half of fiscal year 2019 and "Reconciliation of Non-GAAP to GAAP Results" for the full year of fiscal year 2019 for details.

^[2] 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. Please refer to the sections titled "Reconciliations of Non-GAAP to GAAP Results" for the second half of fiscal year 2019 and "Reconciliation of Non-GAAP to GAAP Results" for the full year of fiscal year 2019 for details.

^[3] Non-GAAP operating income is a non-GAAP financial measure, which is defined as operating income excluding share-based compensation expenses. Please refer to the sections titled "Reconciliations of Non-GAAP to GAAP Results" for the second half of fiscal year 2019 and "Reconciliation of Non-GAAP to GAAP Results" for the full year of fiscal year 2019 for details.

^[4] Non-GAAP operating margin is a non-GAAP financial measure, which is defined as non-GAAP operating income as a percentage of revenues. Please refer to the sections titled "Reconciliations of Non-GAAP to GAAP Results" for the second half of fiscal year 2019 and "Reconciliation of Non-GAAP to GAAP Results" for the full year of fiscal year 2019 for details.

^[5] Non-GAAP net income is a non-GAAP financial measure, which is defined as net income excluding share-based compensation expenses. Please refer to the sections titled "Reconciliations of Non-GAAP to GAAP Results" for the second half of fiscal year 2019 and "Reconciliation of Non-GAAP to GAAP Results" for the full year of fiscal year 2019 for details.

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

As of June 30,

As of December 31,

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,601,335	\$ 5,791,926
Short-term investments	1,791,697	5,672,315
Accounts receivable, net	19,263,584	16,542,912
Escrow receivable	200,000	-
Prepayments, deposits and other assets, net	1,028,154	1,769,813
Prepaid income tax	630,790	-
Amounts due from related parties	230,540	186,798
Total Current Assets	29,746,100	29,963,764
Property and equipment, net		
Intangible assets, net	566,591	453,703
Goodwill	427,769	508,054
Escrow receivable	447,790	436,418
Prepayments, deposits and other assets, net	-	200,000
Long-term investments	222,507	535,416
Deferred tax assets, net	914,006	299,799
Total Assets	\$ 32,662,984	\$ 32,861,549
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank loans	\$ 2,184,996	\$ 1,890,772
Accounts payable and other current liabilities	196,832	529,539
Tax payables	915,629	919,607
Deferred subsidies	109,250	113,147
Deferred revenues	124,192	1,000,038
Salaries and benefits payable	7,735,487	8,140,318
Total Current Liabilities	11,266,386	12,593,421
Commitments and Contingencies		
Shareholders' Equity		
Common share, \$0.0001 par value; 100,000,000 shares authorized; 13,913,201 shares issued and outstanding as of June 30, 2019 and 13,590,000 shares issued and outstanding as of June 30, 2018*		
	1,391	1,381
Additional paid-in capital	24,276,622	21,299,235
Statutory reserves	1,833,802	1,576,327
Accumulated deficits	(4,509,729)	(2,415,109)
Accumulated other comprehensive loss	(813,650)	(752,634)

Total CLPS Incorporation's Shareholders' Equity	20,788,436	19,709,200
Non-controlling Interests	608,162	558,928
Total Shareholders' Equity	21,396,598	20,268,128
Total Liabilities and Shareholders' Equity	\$ 32,662,984	\$ 32,861,549

* The shares and per share data are presented on a retroactive basis to reflect the nominal share issuance.

CLPS INCORPORATION
UNAUDITED CONSOLIDATED statements of INCOME AND COMPREHENSIVE INCOME
(Amounts in U.S. dollars ("\$\$"), except for number of shares)

	For the six months ended	
	June 30,	
	2019	2018
Revenues	\$ 34,137,189	\$ 26,738,598
Less: Cost of revenues (note 1)	(21,552,693)	(17,935,277)
Gross profit	12,584,496	8,803,321
Operating expenses:		
Selling and marketing expenses (note 1)	1,206,153	1,092,771
Research and development expenses	4,939,522	4,274,885
General and administrative expenses (note 1)	8,223,126	2,807,390
Total operating expenses	14,368,801	8,175,046
(Loss) income from operations	(1,784,305)	628,275
Subsidies and other income, net	156,352	593,986
Other expenses	(30,712)	(70,942)
(Loss) income before income tax and share of loss in equity investees	(1,658,665)	1,151,319
Benefits for income taxes	(56,283)	(238,188)
(Loss) income before share of loss in equity	(1,602,382)	1,389,507

investees		
Share of loss in equity investees, net of tax	(145,329)	-
Net (loss) income	(1,747,711)	1,389,507
Less: Net income attributable to non-controlling interests	89,434	286,373
Net (loss) income attributable to CLPS Incorporation's shareholders	\$ (1,837,145)	\$ 1,103,134
Other comprehensive loss		
Foreign currency translation loss	\$ (58,964)	\$ (175,431)
Less: foreign currency translation gain (loss) attributable to Non-controlling interest	2,052	(10,573)
Other comprehensive loss attributable to CLPS Incorporation's shareholders	\$ (61,016)	\$ (164,858)
Comprehensive (loss) income attributable to CLPS Incorporation shareholders	\$ (1,898,161)	\$ 938,276
Non-controlling interests	91,486	275,800
	\$ (1,806,675)	\$ 1,214,076
Basic (loss) earnings per common share*	\$ (0.13)	\$ 0.10
Weighted average number of share outstanding – basic	13,889,460	11,517,123
Diluted (loss) earnings per common share*	\$ (0.13)	\$ 0.09
Weighted average number of share outstanding – diluted (note 2)	13,889,460	11,636,367
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	9,472	
Selling and marketing expenses	46,100	
General and administrative expenses	2,946,803	

(2) All dilutive potential common shares had anti-dilutive impact and were excluded in computation of diluted earnings per share in the period when loss was reported.

* The shares and per share data are presented on a retroactive basis to reflect the nominal share issuance.

CLPS INCORPORATION
RECONCILIATION OF NON-GAAP TO GAAP RESULTS
(Amounts in U.S. dollars ("\$\$"), except for number of shares)

	For the six months ended June 30,	
	2019	2018
Cost of revenues	\$ (21,552,693)	\$ (17,935,277)
Less: share-based compensation expenses	9,472	-
Non-GAAP cost of revenues	\$ (21,543,221)	\$ (17,935,277)
Selling and marketing expenses	\$ 1,206,153	\$ 1,092,771
Less: share-based compensation expenses	46,100	-
Non-GAAP selling and marketing expenses	\$ 1,160,053	\$ 1,092,771
General and administrative expenses	\$ 8,223,126	\$ 2,807,390
Less: share-based compensation expenses	2,946,803	-
Non-GAAP general and administrative expenses	\$ 5,276,323	\$ 2,807,390
Operating (loss) income	\$ (1,784,305)	\$ 628,275
Add: share-based compensation expenses	3,002,375	-
Non-GAAP operating income	\$ 1,218,070	\$ 628,275
Operating Margin	(5.2%)	2.3%
Add: share-based compensation expenses	8.8%	-
Non-GAAP operating margin	3.6%	2.3%
Net (loss) income	\$ (1,747,711)	\$ 1,389,507
Add: share-based compensation expenses	3,002,375	-
Non-GAAP net income	\$ 1,254,664	\$ 1,389,507

Net (loss) income attributable to CLPS Incorporation's shareholders	\$ (1,837,145)	\$ 1,103,134
Add: share-based compensation expenses	<u>3,002,375</u>	<u>-</u>
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$ <u>1,165,230</u>	\$ <u>1,103,134</u>
Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings	13,889,460	11,517,123
GAAP basic (loss) earnings per common share	\$ (0.13)	\$ 0.10
Add: share-based compensation expenses	<u>0.21</u>	<u>-</u>
Non-GAAP basic earnings per common share	\$ <u>0.08</u>	\$ <u>0.10</u>
Weighted average number of share outstanding used in computing GAAP diluted earnings	13,889,460	11,636,367
Add: effect of dilutive securities (note 1)	<u>184,316</u>	<u>-</u>
Weighted average number of share outstanding used in computing non-GAAP diluted earnings	<u>14,073,776</u>	<u>11,636,367</u>
GAAP diluted (loss) earnings per common share	\$ (0.13)	\$ 0.09
Add: share-based compensation expenses	<u>0.21</u>	<u>-</u>
Non-GAAP diluted earnings per common share	\$ <u>0.08</u>	\$ <u>0.09</u>

Note:

(1) All dilutive potential common shares had anti-dilutive impact and were excluded in computation of GAAP diluted earnings per share in the period when loss was reported.

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

	As of June 30,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,601,335	\$ 9,742,886
Short-term investments	1,791,697	-
Accounts receivable, net	19,263,584	16,267,835
Amounts due from underwriters on the over-allotment	-	1,472,592
Escrow receivable	200,000	-
Prepayments, deposits and other assets, net	1,028,154	1,231,217
Prepaid income tax	630,790	206,361
Amounts due from related parties	230,540	131,321
Total Current Assets	29,746,100	29,052,212
Property and equipment, net	566,591	333,897
Intangible assets, net	427,769	260,059
Goodwill	447,790	173,560
Escrow receivable	-	200,000
Prepayments, deposits and other assets, net	222,507	119,372
Long-term investments	914,006	293,714
Deferred tax assets, net	338,221	512,097
Total Assets	\$ 32,662,984	\$ 30,944,911
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank loans	\$ 2,184,996	\$ 2,553,989
Accounts payable and other current liabilities	196,832	1,454,770
Tax payables	915,629	904,850
Deferred subsidies	109,250	125,080
Deferred revenues	124,192	200,836
Salaries and benefits payable	7,735,487	7,341,688
Amounts due to related parties	-	208,342
Deferred tax liabilities, net	-	-
Total Current Liabilities	11,266,386	12,789,555

Commitments and Contingencies

Shareholders' Equity

Common share, \$0.0001 par value; 100,000,000 shares authorized; 13,913,201 shares issued and outstanding as of June 30, 2019 and 13,590,000 shares issued and outstanding as of June 30, 2018*	1,391	1,359
Additional paid-in capital	24,276,622	17,285,543
Statutory reserves	1,833,802	1,118,467
Accumulated deficits	(4,509,729)	(524,618)
Accumulated other comprehensive loss	(813,650)	(401,677)
Total CLPS Incorporation's Shareholders' Equity	<u>20,788,436</u>	<u>17,479,074</u>
Non-controlling Interests	<u>608,162</u>	<u>676,282</u>
Total Shareholders' Equity	<u>21,396,598</u>	<u>18,155,356</u>
Total Liabilities and Shareholders' Equity	<u>\$ 32,662,984</u>	<u>\$ 30,944,911</u>

* The shares and per share data are presented on a retroactive basis to reflect the nominal share issuance.

CLPS INCORPORATION
UNAUDITED CONSOLIDATED statements of INCOME AND COMPREHENSIVE INCOME
(Amounts in U.S. dollars ("\$\$"), except for number of shares)

	For the years ended June 30,	
	<u>2019</u>	<u>2018</u>
Revenues	\$ 64,932,937	\$ 48,938,593
Less: Cost of revenues (note 1)	(41,178,356)	(31,277,255)
Gross profit	<u>23,754,581</u>	<u>17,661,338</u>
Operating expenses:		
Selling and marketing expenses (note 1)	2,179,029	2,225,702
Research and development expenses	7,978,883	7,837,873
General and administrative expenses (note 1)	17,384,393	5,871,622
Total operating expenses	<u>27,542,305</u>	<u>15,935,197</u>

(Loss) income from operations	(3,787,724))	1,726,141
Subsidies and other income, net	779,508	960,784
Other expenses	(92,429)	(84,155)
	<hr/>	<hr/>
(Loss) income before income tax and share of loss in equity investees	(3,100,645)	2,602,770
Provision (benefits) for income taxes	186,615	(112,128)
	<hr/>	<hr/>
(Loss) income before share of loss in equity investees	(3,287,260)	2,714,898
Share of loss in equity investees, net of tax	(145,329)	-
Net (loss) income	(3,432,589)	2,714,898
Less: Net (loss) income attributable to non-controlling interests	(162,813)	280,435
	<hr/>	<hr/>
Net (loss) income attributable to CLPS Incorporation's shareholders	\$ (3,269,776)	\$ 2,434,463
	<hr/> <hr/>	<hr/> <hr/>
Other comprehensive (loss) income		
Foreign currency translation (loss) gain	\$ (429,348)	\$ 55,793
Less: foreign currency translation (loss) gain attributable to Non-controlling interests	(17,375)	10,200
	<hr/>	<hr/>
Other comprehensive (loss) gain attributable to CLPS Incorporation's shareholders	\$ (411,973)	\$ 45,593
	<hr/> <hr/>	<hr/> <hr/>
Comprehensive (loss) income attributable to CLPS Incorporation shareholders	\$ (3,681,749)	\$ 2,480,056
Non-controlling interests	(180,188)	290,635
	<hr/>	<hr/>
	\$ (3,861,937)	\$ 2,770,691
	<hr/> <hr/>	<hr/> <hr/>
Basic (loss) earnings per common share*	\$ (0.24)	\$ 0.21
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of share outstanding – basic	13,843,764	11,517,123
	<hr/> <hr/>	<hr/> <hr/>
Diluted (loss) earnings per common share*	\$ (0.24)	\$ 0.21
	<hr/> <hr/>	<hr/> <hr/>
Weighted average number of share outstanding – diluted (note 2)	13,843,764	11,636,367
	<hr/> <hr/>	<hr/> <hr/>
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	9,472	
	<hr/> <hr/>	<hr/> <hr/>
Selling and marketing expenses	46,100	
	<hr/> <hr/>	<hr/> <hr/>
General and administrative expenses	6,960,517	
	<hr/> <hr/>	<hr/> <hr/>

(2) All dilutive potential common shares had anti-dilutive impact and were excluded in computation

of diluted earnings per share in the period when loss was reported.

* The shares and per share data are presented on a retroactive basis to reflect the nominal share issuance.

CLPS INCORPORATION
RECONCILIATION OF NON-GAAP TO GAAP RESULTS
(Amounts in U.S. dollars ("\$\$"), except for number of shares)

	For the years ended June 30,	
	2019	2018
Cost of revenues	\$ (41,178,356)	\$ (31,277,255)
Less: share-based compensation expenses	9,472	-
Non-GAAP cost of revenues	\$ (41,168,884)	\$ (31,277,255)
Selling and marketing expenses	\$ 2,179,029	\$ 2,225,702
Less: share-based compensation expenses	46,100	-
Non-GAAP selling and marketing expenses	\$ 2,132,929	\$ 2,225,702
General and administrative expenses	\$ 17,384,393	\$ 5,871,622
Less: share-based compensation expenses	6,960,517	-
Non-GAAP general and administrative expenses	\$ 10,423,876	\$ 5,871,622
Operating (loss) income	\$ (3,787,724)	\$ 1,726,141
Add: share-based compensation expenses	7,016,089	-
Non-GAAP operating income	\$ 3,228,365	\$ 1,726,141
Operating Margin	(5.8%)	3.5%
Add: share-based compensation expenses	10.8%	-
Non-GAAP operating margin	5.0%	3.5%

Net (loss) income	\$	(3,432,589)	\$	2,714,898
Add: share-based compensation expenses		7,016,089		-
Non-GAAP net income	\$	<u>3,583,500</u>	\$	<u>2,714,898</u>
Net (loss) income attributable to CLPS Incorporation's shareholders	\$	(3,269,776)	\$	2,434,463
Add: share-based compensation expenses		7,016,089		-
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$	<u>3,746,313</u>	\$	<u>2,434,463</u>
Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		13,843,764		11,517,123
GAAP basic (loss) earnings per common share	\$	(0.24)	\$	0.21
Add: share-based compensation expenses		0.51		-
Non-GAAP basic earnings per common share	\$	<u>0.27</u>	\$	<u>0.21</u>
Weighted average number of share outstanding used in computing GAAP diluted earnings		13,843,764		11,636,367
Add: effect of dilutive securities (note 1)		194,824		-
Weighted average number of share outstanding used in computing non-GAAP diluted earnings		<u>14,038,588</u>		<u>11,636,367</u>
GAAP diluted (loss) earnings per common share	\$	(0.24)	\$	0.21
Add: share-based compensation expenses		0.51		-
Non-GAAP diluted earnings per common share	\$	<u>0.27</u>	\$	<u>0.21</u>

Note:

(1) All dilutive potential common shares had anti-dilutive impact and were excluded in computation of GAAP diluted earnings per share in the period when loss was reported.

