

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

(Mark one)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-38505

**CLPS Incorporation**

(Exact name of the Registrant as specified in its charter)

**Cayman Islands**

(Jurisdiction of incorporation or organization)

**c/o Unit 1102, 11<sup>th</sup> Floor, Millennium City III  
370 Kwun Tong Road, Kwun Tong, Kowloon  
Hong Kong SAR  
Tel: (852) 37073600**

(Address of principal executive office)

**Raymond Ming Hui Lin, Chief Executive Officer**

**c/o Unit 1102, 11<sup>th</sup> Floor, Millennium City III  
370 Kwun Tong Road, Kwun Tong, Kowloon  
Hong Kong SAR  
Tel: (852) 37073600**

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value \$0.0001	CLPS	The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None.**

On September 24, 2021, the issuer had 20,400,820 shares outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an "emerging growth company." See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer  Accelerated filer  Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## CERTAIN INFORMATION

Unless otherwise indicated, numerical figures included in this Annual Report on Form 20-F (the “Annual Report”) have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

For the sake of clarity, this Annual Report follows the English naming convention of first name followed by last name, regardless of whether an individual’s name is Chinese or English. Certain market data and other statistical information contained in this Annual Report are based on information from independent industry organizations, publications, surveys and forecasts. Some market data and statistical information contained in this Annual Report are also based on management’s estimates and calculations, which are derived from our review and interpretation of the independent sources listed above, our internal research and our knowledge of the PRC information technology industry. While we believe such information is reliable, we have not independently verified any third-party information and our internal data has not been verified by any independent source.

Except where the context otherwise requires and for purposes of this Annual Report only:

- Depending on the context, the terms “we,” “us,” “our company,” and “our” refer to CLPS Incorporation, a Cayman Islands company, and its subsidiary and affiliated companies;
- “Qinheng” refers to Qinheng Co., Limited, a Hong Kong company;
- “Qiner” refers to Qiner Co., Limited, a Hong Kong company;
- “CLIVST” refers to CLIVST Ltd., a British Virgin Islands company;
- “FDT-CL” refers to FDT-CL Financial Technology Services Limited, a Hong Kong company;
- “JQ” refers to JQ Technology Co., Limited, a Hong Kong company;
- “JL” refers to JIALIN Technology Limited, a Taiwan company;
- “CLPS QC (WFOE)” refers to Shanghai Qincheng Information Technology Co., Ltd., a PRC company;
- “CLPS Shanghai” refers to ChinaLink Professional Services Co., Ltd., a PRC company;
- “CLPS Dalian” refers to CLPS Dalian Co., Ltd., a PRC company;
- “CLPS RC” refers to CLPS Ruicheng Co., Ltd., a PRC company;
- “CLPS Beijing” refers to CLPS Beijing Hengtong Co., Ltd., a PRC company;
- “JAJI China” refers to JAJI (Shanghai) Co., Ltd., formerly Judge (Shanghai) Co., Ltd. a PRC company;
- “JAJI HR” refers to JAJI (Shanghai) Human Resource Co., Ltd. formerly Judge (Shanghai) Human Resource Co., Ltd., a PRC company;
- “CLPS-Ridik AU” refers to CLPS-Ridik Technology (Australia) Pty. Ltd., an Australian company;
- “CLPS SG” refers to CLPS Technology (Singapore) Pte. Ltd., a Singaporean company;
- “CLPS Hong Kong” refers to CLPS Technology (HK) Co., Limited, a Hong Kong company;
- “CLPS Shenzhen” refers to CLPS Shenzhen Co., Ltd., a PRC company;
- “Huanyu” refers to Tianjin Huanyu Qinshang Network Technology Co., Ltd., a PRC company
- “CLPS Guangzhou” refers to CLPS Guangzhou Co., Ltd., a PRC company.
- “CLPS US” refers to CLPS Technology (US) Ltd., a Delaware company.
- “CLPS California” refers to CLPS Technology (California) Inc., a California company.

- “CLPS Lihong” refers to CLPS Lihong Financial Information Services Co., Ltd., formerly Lihong Financial Information Services Co., Ltd. before the investment, a PRC company.
- “Infogain” refers to Infogain Solutions PTE. Ltd., a Singaporean company.
- “EMIT” refers to Economic Modeling Information Technology Co., Ltd., a PRC company.
- “CLPS Hangzhou” refers to CLPS Hangzhou Co. Ltd., a PRC company.
- “CLPS Guangdong Zhichuang” refers to CLPS Guangdong Zhichuang Software Technology Co., Ltd. a PRC company.
- “CLPS Shenzhen Robotics” refers to CLPS Shenzhen Robotics Co. Ltd., a PRC company.
- “Ridik Pte.” refers to Ridik Pte. Ltd., a Singaporean company.
- “Ridik Consulting” refers to Ridik Consulting Private Limited, an Indian company.
- “Ridik Sdn.” refers to Ridik Sdn. Bhd., a Malaysian company.
- “Ridik Software Pte.” refers to Ridik Software Solutions Pte. Ltd., a Singaporean company.
- “Ridik Software” refers to Ridik Software Solutions Ltd., a UK company.
- “Suzhou Ridik” refers to Suzhou Ridik Information Technology Co., Ltd., a PRC company.
- “CLPS Japan” refers to CLPS Technology Japan, a Japanese company.
- “Qinson” refers to Qinson Credit Card Services Limited, a Hong Kong company.
- “CLPS Hainan” refers to Hainan Qincheng Software Technology Co., Ltd., a PRC company.
- “SSIT” refers to Shanghai Shier Information Technology Co., Ltd., a PRC company.
- “CareerWin” refers to CareerWin Executive Search Co., Ltd., a PRC company.
- “CLPS Xi’an” refers to CLPS Xi’an Co., Ltd., a PRC company.
- “Growth Ring” refers to Growth Ring Ltd., a British Virgin Islands company.
- “Arabian Jasmine” refers to Arabian Jasmine Ltd., a British Virgin Islands company.
- “Shanghai Chenqin” refers to Shanghai Chenqin Information Technology Services Co., Ltd., a PRC company.
- “Noni Singapore” refers to Noni (Singapore) Pte. Ltd., a Singaporean company.
- “CLPS-Beefinance” refers to CLPS-Beefinance Holding Limited, a British Virgin Islands company.
- “Qinson Ltd.” refers to Qinson Ltd., a British Virgin Islands company.
- “LQE” refers to LQE Ltd., a British Virgin Islands company.
- “LinkCrypto” refers to LinkCrypto Finance Technology Limited, a Hong Kong company.

- “MNYC” refers to MNYC HOLDINGS (HK) LIMITED, a Hong Kong company.
- “MSCT” refers to MSCT Investment Holdings Limited, a British Virgin Islands company
- “CLPS Philippines” refers to CLPS TECHNOLOGY (PHILIPPINES) CORP., a Philippine company.
- “Beijing Bozhuo” refers to Beijing Bozhuo Education Technology Co., Ltd., a PRC company.
- “Haikou Huaqin” refers to Haikou Huaqin Minshang Software Development Co., Ltd., a PRC company.
- “UniDev” refers to Beijing UniDev Software Co., Ltd., a PRC company.
- “Fuson” refers to Fuson Group Limited, a Hong Kong company.
- all references to “RMB,” “yuan” and “Renminbi” are to the legal currency of China, and all references to “USD,” and “U.S. dollars” are to the legal currency of the United States.
- “Shares” and “Common Shares” refer to our shares, \$0.0001 par value per share;
- “China” and “PRC” refer to the People’s Republic of China, excluding, for the purposes of this Annual Report only, Macau, Taiwan and Hong Kong; and
- all references to “RMB,” “yuan” and “Renminbi” are to the legal currency of China, and all references to “USD,” and “U.S. dollars” are to the legal currency of the United States.

Unless otherwise noted, all currency figures in this filing are in U.S. dollars. Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding. Our reporting currency is U.S. dollar and our functional currency is Renminbi. This Annual Report contains translations of certain foreign currency amounts into U.S. dollars for the convenience of the reader. Other than in accordance with relevant accounting rules and as otherwise stated, all translations of Renminbi into U.S. dollars in this Annual Report were made at the rate of RMB 6.4566 to USD1.00, the noon buying rate on June 30, 2021, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. Where we make period-on-period comparisons of operational metrics, such calculations are based on the Renminbi amount and not the translated U.S. dollar equivalent. We make no representation that the Renminbi or U.S. dollar amounts referred to in this Annual Report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all.

## FORWARD-LOOKING STATEMENTS

This Annual Report contains “forward-looking statements” that represent our beliefs, projections and predictions about future events. All statements other than statements of historical fact are “forward-looking statements” including any projections of earnings, revenue or other financial items, any statements of the plans, strategies and objectives of management for future operations, any statements concerning proposed new projects or other developments, any statements regarding future economic conditions or performance, any statements of management’s beliefs, goals, strategies, intentions and objectives, and any statements of assumptions underlying any of the foregoing. Words such as “may”, “will”, “should”, “could”, “would”, “predicts”, “potential”, “continue”, “expects”, “anticipates”, “future”, “intends”, “plans”, “believes”, “estimates” and similar expressions, as well as statements in the future tense, identify forward-looking statements.

These statements are necessarily subjective and involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any future results, performance or achievements described in or implied by such statements. Actual results may differ materially from expected results described in our forward-looking statements, including with respect to correct measurement and identification of factors affecting our business or the extent of their likely impact, the accuracy and completeness of the publicly available information with respect to the factors upon which our business strategy is based for the success of our business.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of whether, or the times by which, our performance or results may be achieved. Forward-looking statements are based on information available at the time those statements are made and management’s belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, those factors discussed under the headings “Risk Factors”, “Operating and Financial Review and Prospects,” “Information on the Company” and elsewhere in this Annual Report.

This Annual Report should be read in conjunction with our audited financial statements and the accompanying notes thereto, which are included in Item 18 of this Annual Report.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not required.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not required.

### ITEM 3. KEY INFORMATION

#### A. Selected financial data

The following selected consolidated financial data as of and for the years ended June 30, 2021, 2020 and 2019 have been derived from the audited consolidated financial statements of the Company included in this Annual Report. This information is only a summary and should be read together with the consolidated financial statements, the related notes, the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and other financial information included in this Annual Report. The Company’s results of operations in any period may not necessarily be indicative of the results that may be expected for any future period. See “Risk Factors” included elsewhere in this Annual Report.

The following table presents our summary consolidated statements of comprehensive (loss) income for the fiscal years ended June 30, 2021, 2020 and 2019, respectively.

#### Selected Consolidated Statement of Comprehensive Income (Loss)

	For the years ended June 30,		
	2021	2020	2019
Revenues	\$ 126,061,693	\$ 89,415,798	\$ 64,932,937
Less: Cost of revenues	(85,890,757)	(58,296,097)	(41,178,356)
Gross profit	<u>40,170,936</u>	<u>31,119,701</u>	<u>23,754,581</u>
Operating income (expenses):			
Selling and marketing expenses	(3,753,236)	(3,059,877)	(2,179,029)
Research and development expenses	(13,337,913)	(10,436,975)	(7,978,883)
General and administrative expenses	(16,784,688)	(16,343,936)	(17,384,393)
Subsidies and other operating income	2,080,087	1,927,230	697,370
Total operating expenses	<u>(31,795,750)</u>	<u>(27,913,558)</u>	<u>(26,844,935)</u>
Income (loss) from operations	8,375,186	3,206,143	(3,090,354)
Other income	296,319	608,638	82,138
Other expenses	<u>(351,045)</u>	<u>(107,322)</u>	<u>(92,429)</u>
Income (loss) before income tax and share of income (loss) in equity investees	8,320,460	3,707,459	(3,100,645)
Provision for income taxes	1,257,124	835,444	186,615
Income (loss) before share of income (loss) in equity investees	<u>7,063,336</u>	<u>2,872,015</u>	<u>(3,287,260)</u>
Share of (loss) income in equity investees, net of tax	(44,121)	207,363	(145,329)
Net income (loss)	7,019,215	3,079,378	(3,432,589)
Less: Net income (loss) attributable to noncontrolling interests	202,643	141,139	(162,813)
<b>Net income (loss) attributable to CLPS Incorporation’s shareholders</b>	<b><u>\$ 6,816,572</u></b>	<b><u>\$ 2,938,239</u></b>	<b><u>\$ (3,269,776)</u></b>
Other comprehensive income (loss)			
Foreign currency translation income (loss)	\$ 2,695,223	\$ (571,943)	\$ (429,348)
Less: foreign currency translation income (loss) attributable to noncontrolling interest	102,475	(22,928)	(17,375)
Other comprehensive income (loss) attributable to CLPS Incorporation’s shareholders	\$ 2,592,748	\$ (549,015)	\$ (411,973)
Comprehensive income (loss) attributable to CLPS Incorporation shareholders	\$ 9,409,320	\$ 2,389,224	\$ (3,681,749)
Comprehensive income (loss) attributable to noncontrolling interests	305,118	118,211	(180,188)
Comprehensive income (loss)	\$ 9,714,438	\$ 2,507,435	\$ (3,861,937)
Basic earnings (loss) per common share	0.39	0.20	(0.24)
Weighted average number of share outstanding – basic	17,279,443	14,689,224	13,843,764
Diluted earnings (loss) per common share	0.39	0.20	(0.24)
Weighted average number of share outstanding – diluted	17,569,440	14,692,299	13,843,764
<b>Supplemental information:</b>			
Non-GAAP income before income tax and share of income (loss) of equity investees	13,449,156	7,711,539	3,915,444
Non-GAAP net income	12,147,911	7,083,458	3,583,500
Non-GAAP net income attributable to CLPS Incorporation’s shareholders	11,945,268	6,942,319	3,746,313
Non-GAAP basic earnings per common share	0.69	0.47	0.27
Weighted average number of share outstanding – basic	17,279,443	14,689,224	13,843,764
Non-GAAP diluted earnings per common share	0.68	0.47	0.27
Weighted average number of share outstanding – diluted	17,569,440	14,692,299	13,969,436

The following table presents our consolidated balance sheet data as of June 30, 2021 and 2020, respectively.

	As of June 30,	
	2021	2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 24,739,382	\$ 12,652,120
Short-term investments	4,158,535	636,934
Accounts receivable, net	44,138,997	25,753,856
Prepayments, deposits and other assets, net	2,530,458	1,280,967
Prepaid income tax	-	15,780
Amounts due from related parties	546,128	169,185
<b>Total Current Assets</b>	<b>\$ 76,113,500</b>	<b>\$ 40,508,842</b>
<b>Non-current assets:</b>		
Property and equipment, net	600,791	452,472
Intangible assets, net	1,050,499	1,144,579
Goodwill	2,444,950	2,118,700
Long-term investments	1,014,784	680,131
Prepayments, deposits and other assets, net	896,145	244,387
Deferred tax assets, net	607,773	203,247
<b>Total Assets</b>	<b>\$ 82,728,442</b>	<b>\$ 45,352,358</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Bank loans	\$ 7,536,839	\$ 2,161,239
Accounts payable	559,450	268,661
Accrued expenses and other current liabilities	245,408	220,382
Tax payables	1,715,009	1,426,614
Contract liabilities	326,912	755,178
Salaries and benefits payable	12,466,921	11,522,268
Amounts due to related party	183,148	-
<b>Total current liabilities</b>	<b>\$ 23,033,687</b>	<b>\$ 16,354,342</b>
<b>Non-current liabilities:</b>		
Bank loans	9,644	22,554
Deferred tax liabilities	155,033	163,163
Other non-current liabilities	1,799,383	194,939
<b>Total Liabilities</b>	<b>\$ 24,997,747</b>	<b>\$ 16,734,998</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity:</b>		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 20,293,552 shares issued and outstanding as of June 30, 2021; 15,930,330 shares issued and outstanding as of June 30, 2020	2,029	1,593
Additional paid-in capital	48,516,695	28,586,048
Statutory reserves	4,214,075	2,803,811
Retained earnings (Accumulated deficits)	2,726,165	(2,680,143)
Accumulated other comprehensive income (loss)	1,230,083	(1,362,665)
<b>Total CLPS Incorporation's Shareholders' Equity</b>	<b>56,689,047</b>	<b>27,348,644</b>
<b>Noncontrolling interests</b>	<b>1,041,648</b>	<b>1,268,716</b>
<b>Total Shareholders' Equity</b>	<b>57,730,695</b>	<b>28,617,360</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 82,728,442</b>	<b>\$ 45,352,358</b>

The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. On September 30, 2021, the buying rate announced by the Federal Reserve Statistical Release was RMB 6.4434 to \$1.00.

Period	Spot Exchange Rate			
	Period Ended	Average (1)	Low	High
	(RMB per US\$1.00)			
2018	6.8755	6.6090	6.2649	6.9737
2019	6.9618	6.9081	6.6822	7.1786
2020	6.5250	6.9043	6.5208	7.1681
2021				
January	6.4282	6.4672	6.4282	6.4822
February	6.4730	6.4601	6.4344	6.4869
March	6.5518	6.5109	6.4648	6.5716
April	6.4749	6.5186	6.4710	6.5649
May	6.3674	6.4321	6.3674	6.4749
June	6.4566	6.4250	6.3796	6.4811
July	6.4609	6.4763	6.4562	6.5104
August	6.4604	6.4768	6.4604	6.5012
September	6.4434	6.4563	6.4320	6.4702

Source: <https://www.federalreserve.gov/releases/h10/hist/default.htm>

(1) Annual averages, lows, and highs are calculated from month-end rates. Monthly averages, lows, and highs are calculated using the average of the daily rates during the relevant period.

**B. Capitalization and Indebtedness**

Not required.

**C. Reasons for the Offer and Use of Proceeds**

Not required.

**D. Risk factors**

*You should carefully consider the following risk factors, together with all of the other information included in this Annual Report. Investment in our securities involves a high degree of risk. You should carefully consider the risks described below together with all of the other information included in this Annual Report before making an investment decision. The risks and uncertainties described below represent our known material risks to our business. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, you may lose all or part of your investment.*

**Risks Related to Our Business**

***We may be unable to effectively manage our rapid growth, which could place significant strain on our management personnel, systems and resources. We may not be able to achieve anticipated growth, which could materially and adversely affect our business and prospects.***

We have significantly grown and expanded our business recently. Our revenues grew from \$64.9 million in fiscal 2019 to \$89.4 million in fiscal 2020 and to \$126.1 million in fiscal 2021. We maintain nineteen delivery and/or R&D centers, of which eleven are located in Mainland China (Shanghai, Beijing, Dalian, Tianjin, Baoding, Xi'an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan) and eight are located globally (Hong Kong SAR, the United States of America, the Philippines, Japan, Singapore, Malaysia, Australia, and India), to serve different customers in various geographic locations. The number of our total employees grew from 2,085 in fiscal 2019 to 2,746 in fiscal 2020. As of June 30, 2021 we had 3,352 full-time employees. We are actively looking for additional locations to establish new offices and expand our current offices and sales and delivery centers. We intend to continue our expansion in the foreseeable future to pursue existing and potential market opportunities. Our growth has placed and will continue to place significant demands on our management and our administrative, operational and financial infrastructure. Continued expansion increases the challenges we face in:

- recruiting, training, developing and retaining sufficient IT talent and management personnel;
- creating and capitalizing upon economies of scale;
- managing a larger number of clients in a greater number of industries and locations;
- maintaining effective oversight of personnel and offices;
- coordinating work among offices and project teams and maintaining high resource utilization rates;
- integrating new management personnel and expanded operations while preserving our culture and core values;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, human resources, communications and other internal systems, procedures and controls; and
- adhering to and further improving our high quality and process execution standards and maintaining high levels of client satisfaction.

Moreover, as we introduce new services or enter into new markets, we may face new market, technological and operational risks and challenges with which we are unfamiliar, and it may require substantial management efforts and skills to mitigate these risks and challenges. As a result of any of these challenges associated with expansion, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, we may not be able to achieve anticipated growth, which could materially and adversely affect our business and prospects.

***Adverse changes in the economic environment, either in China or globally, could reduce our clients' purchases from us and increase pricing pressure, which could materially and adversely affect our revenues and results of operations.***

The IT services industry is particularly sensitive to the economic environment, whether in China or globally, and tends to decline during general economic downturns. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to the economic environment, especially for regions in which we and our clients operate. During an economic downturn, our clients may cancel, reduce or delay their IT spending or change their IT outsourcing strategy, and reduce their purchases from us. The recent global economic slowdown and any future economic slowdown, and the resulting reduction in IT spending, could also lead to increased pricing pressure from our clients. The occurrence of any of these events could materially and adversely affect our revenues and results of operations.

***We face intense competition from onshore and offshore IT services companies, and, if we are unable to compete effectively, we may lose clients, and our revenues may decline.***

The market for IT services is highly competitive, and we expect competition to persist and intensify. We believe that the principal competitive factors in our markets are industry expertise, breadth and depth of service offerings, quality of the services offered, reputation and track record, marketing and selling skills, scalability of infrastructure and price. In addition, the trend towards offshore outsourcing, international expansion by foreign and domestic competitors and continuing technological changes will result in new and different competitors entering our markets. In the IT outsourcing market, clients tend to engage multiple outsourcing service providers instead of using an exclusive service provider, which could reduce our revenues to the extent that clients obtain services from other competing providers. Clients may prefer service providers that have facilities located globally or that are based in countries more cost-competitive than in China. Our ability to compete also depends in part on a number of factors beyond our control, including the ability of our competitors to recruit, train, develop and retain highly skilled professionals, the price at which our competitors offer comparable services and our competitors' responsiveness to client needs. Therefore, we cannot assure you that we will be able to retain our clients while competing against such competitors. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could harm our business, financial condition and results of operations.

***Due to intense competition for highly skilled personnel, we may fail to attract and retain enough sufficiently trained personnel to support our operations; as a result, our ability to bid for and obtain new projects may be negatively affected and our revenues could decline.***

The IT services industry relies on skilled personnel, and our success depends to a significant extent on our ability to recruit, train, develop and retain qualified personnel, especially experienced middle and senior level management. The IT services industry in China has experienced significant levels of employee attrition. Our annual voluntarily attrition rates were 16% and 16.6% in fiscal 2019 and fiscal 2020, respectively; in fiscal 2021, this rate was 15%. We may encounter higher attrition rates in the future, particularly if China continues to experience strong economic growth. There is significant competition in China for skilled personnel, especially experienced middle and senior level management, with the skills necessary to perform the services we offer to our clients. Increased competition for these personnel, in the IT industry or otherwise, could have an adverse effect on us. Spearheaded by the institution that provides continuing education to all CLPS staff and develop new talents from partner universities to further drive the Company's growth ("CLPS Academy"), we have established Talent Creation Program ("TCP") and Talent Development Program ("TDP") to increase our human capital and employee loyalty, however, a significant increase in our attrition rate could decrease our operating efficiency and productivity and could lead to a decline in demand for our services. Additionally, failure to recruit, train, develop and retain personnel with the qualifications necessary to fulfill the needs of our existing and future clients or to assimilate new personnel successfully could have a material adverse effect on our business, financial condition and results of operations. Failure to retain our key personnel on client projects or find suitable replacements for key personnel upon their departure may lead to termination of some of our client contracts or cancellation of some of our projects, which could materially and adversely affect our business.

***Our success depends substantially on the continuing efforts of our senior executives and other key personnel, and our business may be severely disrupted if we lose their services.***

Our future success heavily depends upon the continued services of our senior executives and other key employees. In particular, we rely on the expertise, experience, client relationships and reputation of Xiao Feng Yang, our Chairman of the Board. We currently do not maintain key-man life insurance for any of the senior members of our management team or other key personnel. If one or more of our senior executives or key employees are unable or unwilling to continue in their present positions, it could disrupt our business operations, and we may not be able to replace them easily or at all. In addition, competition for senior executives and key personnel in our industry is intense, and we may be unable to retain our senior executives and key personnel or attract and retain new senior executive and key personnel in the future, in which case our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected. If any of our senior executives or key personnel joins a competitor or forms a competing company, we may lose clients, suppliers, know-how and key professionals and staff members to them. Also, if any of our business development managers, who generally keep a close relationship with our clients, joins a competitor or forms a competing company, we may lose clients, and our revenues may be materially and adversely affected. Additionally, there could be unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel. Most of our executives and key personnel have entered into employment agreements with us that contain non-competition provisions, non-solicitation and nondisclosure covenants. However, if any dispute arises between our executive officers and key personnel and us, such non-competition, non-solicitation and nondisclosure provisions might not provide effective protection to us, especially in China in light of the uncertainties with China's legal system.

***We generate a significant portion of our revenues from a relatively small number of major clients and loss of business from these clients could reduce our revenues and significantly harm our business.***

We believe that in the foreseeable future we will continue to derive a significant portion of our revenues from a small number of major clients. For the years ended June 30, 2021, 2020 and 2019, Citibank and its affiliates accounted for 19.1%, 21.5% and 25.7% of the Company's total revenues, respectively. For fiscal 2021 and 2020, substantially all the service provided by the Company to Citibank was IT consulting services and billed through time-and-expense contracts. The Company has not entered into any material long term contracts with Citibank. Our ability to maintain close relationships with these and other major clients is essential to the growth and profitability of our business. However, the volume of work performed for a specific client is likely to vary from year to year, especially since we are generally not our clients' exclusive IT services provider, and we do not have long-term commitments from any of our clients to purchase our services. The typical term for our service agreements is between 1 and 3 years. A major client in one year may not provide the same level of revenues for us in any subsequent year. The IT services we provide to our clients, and the revenues and income from those services, may decline or vary as the type and quantity of IT services we provide change over time. In addition, our reliance on any individual client for a significant portion of our revenues may give that client a certain degree of pricing leverage against us when negotiating contracts and terms of service. In addition, a number of factors other than our performance could cause the loss of or reduction in business or revenues from a client, and these factors are not predictable. These factors may include corporate restructuring, pricing pressure, changes to its outsourcing strategy, switching to another services provider or returning work in-house. In the future, a small number of customers may continue to represent a significant portion of our total revenues in any given period. The loss of any of our major clients could adversely affect our financial condition and results of operations.

***If we are unable to collect our receivables from our clients, our results of operations and cash flows could be adversely affected.***

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. As of June 30, 2021 and 2020, our accounts receivable balance, net of allowance, amounted to approximately \$44.1 million and \$25.8 million, respectively. As of the years ended June 30, 2021 and 2020, Citibank accounted for 23.1% and 30.1% of the Company's total accounts receivable balance. Since we generally do not require collateral or other security from our clients, we establish an allowance for doubtful accounts based upon estimates, historical experience and other factors surrounding the credit risk of specific clients. However, actual losses on client receivables balance could differ from those that we anticipate and as a result we might need to adjust our allowance. There is no guarantee that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions, including related turmoil in the global financial system, could also result in financial difficulties for our clients, including limited access to the credit markets, insolvency or bankruptcy, and as a result could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. As a result, an extended delay or default in payment relating to a significant account will have a material and adverse effect on the aging schedule and turnover days of our accounts receivable. If we are unable to collect our receivables from our clients in accordance with the contracts with our clients, our results of operations and cash flows could be adversely affected.

***The growth and success of our business depends on our ability to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industries we focus on.***

The market for our services is characterized by rapid technological changes, evolving industry standards, changing client preferences and new product and service introductions. Our future growth and success depend significantly on our ability to anticipate developments in IT services, develop and offer new product and service lines to meet our clients' evolving needs. We may not be successful in anticipating or responding to these developments in a timely manner, or if we do respond, the services or technologies we develop may not be successful in the marketplace. The development of some of the services and technologies may involve significant upfront investments, and the failure of these services and technologies may result in our being unable to recover these investments, in part or in full. Further, services or technologies that are developed by our competitors may render our services uncompetitive or obsolete. In addition, new technologies may be developed that allow our clients to more cost-effectively perform the services that we provide, thereby reducing demand for our services. Should we fail to adapt to the rapidly changing IT services market, or if we fail to develop suitable services to meet the evolving and increasingly sophisticated requirements of our clients in a timely manner, our business and results of operations could be materially and adversely affected.

***We may be unsuccessful in entering into strategic alliances or identifying and acquiring suitable acquisition candidates, which could impede our growth and negatively affect our revenues and net income.***

We have pursued and may continue to pursue strategic alliances and strategic acquisition opportunities to increase our scale and geographic presence, expand our service offerings and capabilities and enhance our industry and technical expertise. However, it is possible that in the future we may not succeed in identifying suitable alliances or acquisition candidates. Even if we identify suitable candidates, we may not be able to consummate these arrangements on terms commercially acceptable to us or to obtain necessary regulatory approvals in the case of acquisitions. Many of our competitors are likely to be seeking to enter into similar arrangements or acquire the same targets that we are looking to enter into or acquire. Such competitors may have substantially greater financial resources than we do and may be more attractive to our strategic partners or be able to outbid us for the targets. In addition, we may also be unable to timely deploy our existing cash balances to effect a potential acquisition, as use of cash balances located onshore in China may require specific governmental approvals or result in withholding and other tax payments. If we are unable to enter into suitable strategic alliances or complete suitable acquisitions, our growth strategy may be impeded, and our revenues and net income could be negatively affected.

***If we fail to integrate or manage acquired companies efficiently, or if the acquired companies do not perform to our expectations, we may not be able to realize the benefits envisioned for such acquisitions, and our overall profitability and growth plans may be adversely affected.***

Historically, we have expanded our service capabilities and gained new clients through selective acquisitions. Our ability to successfully integrate an acquired entity and realize the benefits of any acquisition requires, among other things, successful integration of technologies, operations and personnel. Challenges we face in the acquisition and integration process include:

- integrating operations, services and personnel in a timely and efficient manner;

- unforeseen or undisclosed liabilities;
- generating sufficient revenue and net income to offset acquisition costs;
- potential loss of, or harm to, employee or client relationships;
- properly structuring our acquisition consideration and any related post-acquisition earn-outs and successfully monitoring any earn-out calculations and payments;
- retaining key senior management and key sales and marketing and research and development personnel;
- potential incompatibility of solutions, services and technology or corporate cultures;
- consolidating and rationalizing corporate, information technology and administrative infrastructures;
- integrating and documenting processes and controls;
- entry into unfamiliar markets; and
- increased complexity from potentially operating additional geographically dispersed sites, particularly if we acquire a company or business with facilities or operations outside of China.

In addition, the primary value of many potential targets in the outsourcing industry lies in their skilled professionals and established client relationships. Transitioning these types of assets to our business can be particularly difficult due to different corporate cultures and values, geographic distance and other intangible factors. For example, some newly acquired employees may decide not to work with us or to leave shortly after their move to our company and some acquired clients may decide to discontinue their commercial relationships with us. These challenges could disrupt our ongoing business, distract our management and employees and increase our expenses, including causing us to incur significant one-time expenses and write-offs, and make it more difficult and complex for our management to effectively manage our operations. If we are not able to successfully integrate an acquired entity and its operations and to realize the benefits envisioned for such acquisition, our overall growth and profitability plans may be adversely affected.

***If we do not succeed in attracting new clients for our services and or growing revenues from existing clients, we may not achieve our revenue growth goals.***

We plan to significantly expand the number of clients we serve to diversify our client base and grow our revenues. Revenues from a new client often rise quickly over the first several years following our initial engagement as we expand the services we provide to that client. Therefore, obtaining new clients is important for us to achieve rapid revenue growth. We also plan to grow revenues from our existing clients by identifying and selling additional services to them. Our ability to attract new clients, as well as our ability to grow revenues from existing clients, depends on a number of factors, including our ability to offer high quality services at competitive prices, the strength of our competitors and the capabilities of our sales and marketing teams. If we are not able to continue to attract new clients or to grow revenues from our existing clients in the future, we may not be able to grow our revenues as quickly as we anticipate or at all.

***As a result of our significant recent growth, evaluating our business and prospects may be difficult and our past results may not be indicative of our future performance.***

Our future success depends on our ability to significantly increase revenue and maintain profitability from our operations. Our business has grown and evolved significantly in recent years. Our growth in recent years makes it difficult to evaluate our historical performance and makes a period-to-period comparison of our historical operating results less meaningful. We may not be able to achieve a similar growth rate or maintain profitability in future periods. Therefore, you should not rely on our past results or our historic rate of growth as an indication of our future performance. You should consider our future prospects in light of the risks and challenges encountered by a company seeking to grow and expand in a competitive industry that is characterized by rapid technological change, evolving industry standards, changing client preferences and new product and service introductions. These risks and challenges include, among others:

- the uncertainties associated with our ability to continue our growth and maintain profitability;

- preserving our competitive position in the IT services industry in China;
- offering consistent and high-quality services to retain and attract clients;
- implementing our strategy and modifying it from time to time to respond effectively to competition and changes in client preferences;
- managing our expanding operations and successfully expanding our solution and service offerings;
- responding in a timely manner to technological or other changes in the IT services industry;
- managing risks associated with intellectual property; and
- recruiting, training, developing and retaining qualified managerial and other personnel.

If we are unsuccessful in addressing any of these risks or challenges, our business may be materially and adversely affected.

***We face risks associated with having a long selling and implementation cycle for our services that require us to make significant resource commitments prior to realizing revenues for those services.***

We have a long selling cycle for our technology services, which requires significant investment of capital, human resources and time by both our clients and us. In our consulting service request, we collect service fees on monthly and quarterly basis; in our solution services segment – by performance obligation fulfillment. Before committing to use our services, potential clients require us to expend substantial time and resources educating them on the value of our services and our ability to meet their requirements. Therefore, our selling cycle is subject to many risks and delays over which we have little or no control, including our clients’ decision to choose alternatives to our services (such as other providers or in-house resources) and the timing of our clients’ budget cycles and approval processes. Implementing our services also involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may experience delays in obtaining internal approvals or delays associated with technology, thereby further delaying the implementation process. Our current and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

***Our profitability will suffer if we are not able to maintain our resource utilization levels and continue to improve our productivity levels.***

Our gross margin and profitability are significantly impacted by our utilization levels of human resources as well as other resources, such as computers, IT infrastructure and office space, and our ability to increase our productivity levels. We have expanded our operations significantly in recent years through organic growth and external acquisitions, which has resulted in a significant increase in our headcount and fixed overhead costs. We may face difficulties maintaining high levels of utilization, especially for our newly established or newly acquired businesses and resources. The master service agreements with our clients typically do not impose a minimum or maximum purchase amount and allow our clients to place service orders from time to time at their discretion. Client demand may fall to zero or surge to a level that we cannot cost-effectively satisfy. Although we try to use all commercially reasonable efforts to accurately estimate service orders and resource requirements from our clients, we may overestimate or underestimate, which may result in unexpected cost and strain or redundancy of our human capital and adversely impact our utilization levels. In addition, some of our professionals are specially trained to work for specific clients or on specific projects, and some of our sales and delivery center facilities are dedicated to specific clients or specific projects. Our ability to continually increase our productivity levels depends significantly on our ability to recruit, train, develop and retain high-performing professionals, staff projects appropriately and optimize our mix of services and delivery methods. If we experience a slowdown or stoppage of work for any client or on any project for which we have dedicated professionals or facilities, we may not be able to efficiently reallocate these professionals and facilities to other clients and projects to keep their utilization and productivity levels high. If we are not able to maintain high resource utilization levels without corresponding cost reductions or price increases, our profitability will suffer.

***A significant portion of our income is generated, and will in the future continue to be generated, on a project basis with a fixed price; we may not be able to accurately estimate costs and determine resource requirements in relation to our projects, which would reduce our margins and profitability.***

A significant portion of our income is generated, and will in the future continue to be generated, from fees we receive for our projects with a fixed price. Our projects often involve complex technologies, entail the coordination of operations and workforces in multiple locations, utilizing workforces with different skill sets and competencies and geographically distributed service centers, and must be completed within compressed timeframes and meet client requirements that are subject to change and increasingly stringent. In addition, some of our fixed-price projects are multi-year projects that require us to undertake significant projections and planning related to resource utilization and costs. If we fail to accurately assess the time and resources required for completing projects and to price our projects profitably, our business, results of operations and financial condition could be adversely affected.

***Increases in wages for professionals in China could prevent us from sustaining our competitive advantage and could reduce our profit margins.***

Our most significant costs are the salaries and other compensation expenses for our professionals and other employees. Wage costs for professionals in China are lower than those in more developed countries and India. However, because of rapid economic growth, increased productivity levels, and increased competition for skilled employees in China, wages for highly skilled employees in China, in particular middle- and senior-level managers, are increasing at a faster rate than in the past. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive in attracting and retaining the quality and number of employees that our business requires. Increases in the wages and other compensation we pay our employees in China could reduce our competitive advantage unless we are able to increase the efficiency and productivity of our professionals as well as the prices we can charge for our services. In addition, any appreciation in the value of the Renminbi relative to U.S. dollar and other foreign currencies will cause an increase in the relative wage levels in China, which could further reduce our competitive advantage and adversely impact our profit margin.

***The international nature of our business exposes us to risks that could adversely affect our financial condition and results of operations.***

We conduct our business throughout the world in multiple locations. As a result, we are exposed to risks typically associated with conducting business internationally, many of which are beyond our control. These risks include:

- significant currency fluctuations between the Renminbi and the U.S. dollar and other currencies in which we transact business;
- legal uncertainty owing to the overlap and inconsistencies of different legal regimes, problems in asserting contractual or other rights across international borders and the burden and expense of complying with the laws and regulations of various jurisdictions;
- potentially adverse tax consequences, such as scrutiny of transfer pricing arrangements by authorities in the countries in which we operate;
- current and future tariffs and other trade barriers, including restrictions on technology and data transfers;
- unexpected changes in regulatory requirements; and
- terrorist attacks and other acts of violence or war.

The occurrence of any of these events could have a material adverse effect on our results of operations and financial condition.

***Our net revenues and results of operations are affected by seasonal trends.***

Our business is affected by seasonal trends. In particular, our net revenues are typically progressively higher in the second, third and fourth quarters of each year compared to the first quarter of each year due to seasonal trends, such as: (i) a general slowdown in business activities and a reduced number of working days for our professionals during the first quarter of each year as a result of the Chinese New Year holiday period, and (ii) our customers in general tend to spend their IT budgets in the second half of the year and in particular the fourth quarter. Other factors that may cause our quarterly operating results to fluctuate include, among others, changes in general economic conditions in China and the impact of unforeseen events. We believe that our net revenues will continue to be affected in the future by seasonal trends. As a result, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance, and we believe it is more meaningful to evaluate our business on an annual basis.

***We may be forced to reduce the prices of our services due to increased competition and reduced bargaining power with our clients, which could lead to reduced revenues and profitability.***

The services outsourcing industry in China is developing rapidly, and related technology trends are constantly evolving. This results in the frequent introduction of new services and significant price competition from our competitors. We may be unable to offset the effect of declining average sales prices through increased sales volumes and/or reductions in our costs. Furthermore, we may be forced to reduce the prices of our services in response to offerings made by our competitors. Finally, we may not have the same level of bargaining power we have enjoyed in the past when it comes to negotiating the prices of our services.

***If we cause disruptions to our clients' businesses or provide inadequate service, our clients may have claims for substantial damages against us, and as a result our profits may be substantially reduced.***

If our professionals make errors in the course of delivering services to our clients or fail to consistently meet service requirements of a client, these errors or failures could disrupt the client's business, which could result in a reduction in our net revenues or a claim for substantial damages against us. In addition, a failure or inability to meet a contractual requirement could seriously damage our reputation and affect our ability to attract new business. The services we provide are often critical to our clients' businesses. We generally provide customer support from three months to one year after our customized application is delivered. Certain of our client contracts require us to comply with security obligations including maintaining network security and back-up data, ensuring our network is virus-free, maintaining business continuity planning procedures, and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in a client's system or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, reduce our revenues and harm our business. Under our contracts with our clients, our liability for breach of our obligations is in some cases limited to a certain percentage of contract price. Such limitations may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under our contracts. We currently do not have commercial general or public liability insurance. The successful assertion of one or more large claims against us could have a material adverse effect on our business, reputation, results of operations, financial condition and cash flows. Even if such assertions against us are unsuccessful, we may incur reputational harm and substantial legal fees.

***We may be liable to our clients for damages caused by unauthorized disclosure of sensitive and confidential information, whether through our employees or otherwise.***

We are typically required to manage, utilize and store sensitive or confidential client data in connection with the services we provide. Under the terms of our client contracts, we are required to keep such information strictly confidential. We use network security technologies, surveillance equipment and other methods to protect sensitive and confidential client data. We also require our employees and subcontractors to enter into confidentiality agreements to limit access to and distribution of our clients' sensitive and confidential information as well as our own trade secrets. We can give no assurance that the steps taken by us in this regard will be adequate to protect our clients' confidential information. If our clients' proprietary rights are misappropriated by our employees or our subcontractors or their employees, in violation of any applicable confidentiality agreements or otherwise, our clients may consider us liable for those acts and seek damages and compensation from us. Any such acts could cause us to lose existing and future business and damage our reputation in the market. In addition, we currently do not have any insurance coverage for mismanagement or misappropriation of such information by our subcontractors or employees. Any litigation with respect to unauthorized disclosure of sensitive and confidential information might result in substantial costs and diversion of resources and management attention.

***We may not be able to prevent others from unauthorized use of intellectual property of our clients, which could harm our business and competitive position.***

We rely on software licenses from our clients with respect to certain projects. To protect proprietary information and other intellectual property of our clients, we require our employees, subcontractors, consultants, advisors and collaborators to enter into confidentiality agreements with us. These agreements may not provide effective protection for trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Implementation of intellectual property-related laws in China has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, protection of intellectual property rights and confidentiality in China may not be as effective as that in the United States or other developed countries. Policing unauthorized use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation of proprietary technology of our clients. Reverse engineering, unauthorized copying or other misappropriation of proprietary technologies of our clients could enable third parties to benefit from our or our clients' technologies without paying us and our clients for doing so, and our clients may hold us liable for that act and seek damages and compensation from us, which could harm our business and competitive position.

***We may not be able to prevent others from unauthorized use of our intellectual property, which could cause a loss of clients, reduce our revenues and harm our competitive position.***

We rely on a combination of copyright, trademark, software registration, anti-unfair competition and trade secret laws, as well as confidentiality agreements and other methods to protect our intellectual property rights. To protect our trade secrets and other proprietary information, employees, clients, subcontractors, consultants, advisors and collaborators are required to enter into confidentiality agreements. These agreements might not provide effective protection for the trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Implementation of intellectual property-related laws in China has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as those in the United States or other developed countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Policing unauthorized use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology. Reverse engineering, unauthorized copying, other misappropriation, or negligent or accidental leakage of our proprietary technologies could enable third parties to benefit from our technologies without obtaining our consent or paying us for doing so, which could harm our business and competitive position. Though we are not currently involved in any litigation with respect to intellectual property, we may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

***We may face intellectual property infringement claims that could be time-consuming and costly to defend. If we fail to defend ourselves against such claims, we may lose significant intellectual property rights and may be unable to continue providing our existing services.***

Our success largely depends on our ability to use and develop our technology and services without infringing the intellectual property rights of third parties, including copyrights, trade secrets and trademarks. We may be subject to litigation involving claims of violation of other intellectual property rights of third parties. We typically indemnify clients who purchase our services and solutions against potential infringement of intellectual property rights underlying our services and solutions, which subjects us to the risk of indemnification claims. The holders of other intellectual property rights potentially relevant to our service offerings may make it difficult for us to acquire a license on commercially acceptable terms. Also, we may be unaware of intellectual property registrations or applications relating to our services that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties which may damage our ability to rely on such technologies. We are subject to additional risks as a result of our recent and proposed acquisitions and the hiring of new employees who may misappropriate intellectual property from their former employers. Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using technology involving the allegedly infringing intellectual property. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us, whether with or without merit, could, among others things, require us to pay substantial damages, develop non-infringing technology, or re-brand our name or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease making, licensing or using products that have infringed a third party's intellectual property rights. Protracted litigation could also result in existing or potential clients deferring or limiting their purchase or use of our products until resolution of such litigation, or could require us to indemnify our clients against infringement claims in certain instances. Any intellectual property claim or litigation in this area, whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

***We may need additional capital and any failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.***

We believe that our current cash, cash flow from operations and the available lines of credit from financial institutions should be sufficient to meet our anticipated cash needs for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of technology services outsourcing companies;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;
- our future results of operations and financial condition;
- PRC government regulation of foreign investment in China;
- economic, political and other conditions in China; and
- PRC government policies relating to the borrowing and remittance outside China of foreign currency.

Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our product and service offerings to respond to market demand or competitive challenges.

***Failure to adhere to regulations that govern our clients' businesses could result in breaches of contracts with our clients. Failure to adhere to the regulations that govern our business could result in our being unable to effectively perform our services.***

Our clients' business operations are subject to certain rules and regulations in China or elsewhere. Our clients may contractually require that we perform our services in a manner that would enable them to comply with such rules and regulations. Failure to perform our services in such a manner could result in breaches of contract with our clients and, in some limited circumstances, civil fines and criminal penalties for us. In addition, we are required under various Chinese laws to obtain and maintain permits and licenses to conduct our business. If we do not maintain our licenses or other qualifications to provide our services, we may not be able to provide services to existing clients or be able to attract new clients and could lose revenues, which could have a material adverse effect on our business and results of operations.

***We may incur losses resulting from business interruptions resulting from occurrence of natural disasters, health epidemics and other outbreaks or events.***

Our operational facilities may be damaged in natural disasters such as earthquakes, floods, heavy rains, and storms, tsunamis and cyclones, or other events such as fires. Such natural disasters or other events may lead to disruption of information systems and telephone service for sustained periods. Damage or destruction that interrupts our provision of outsourcing services could damage our relationships with our clients and may cause us to incur substantial additional expenses to repair or replace damaged equipment or facilities. We may also be liable to our clients for disruption in service resulting from such damage or destruction. Prolonged disruption of our services as a result of natural disasters or other events may also entitle our clients to terminate their contracts with us. We currently do not have insurance against business interruptions.

***Our results of operations may be negatively impacted by the COVID-19 outbreak.***

In December 2019, the 2019 novel coronavirus (COVID-19) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout Europe and the Middle East, and there have been many cases of COVID-19 in Canada and the United States, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Similarly, we cannot estimate whether or to what extent this outbreak and potential financial impact may extend to countries outside of those currently impacted. At this point, the extent to which the coronavirus may impact our results is uncertain; however, it is possible that our consolidated results in 2021 may be negatively impacted by this event. The impacts of the outbreak are unknown and rapidly evolving.

***Fluctuation in the value of the Renminbi and other currencies may have a material adverse effect on the value of your investment.***

Our financial statements are expressed in U.S. dollars. However, a majority of our revenues and expenses are denominated in Renminbi (RMB). Our exposure to foreign exchange risk primarily relates to the limited cash denominated in currencies other than the functional currencies of each entity and limited revenue contracts dominated in Singapore dollar, Hong Kong dollar, Australian dollar, Indian rupee, Malaysian ringgit and Japanese yen in certain of our operating subsidiaries. We do not believe that we currently have any significant direct foreign exchange risk and have not hedged exposures denominated in foreign currencies or any other derivative financial instruments. However, the value of your investment in our common shares will be affected by the foreign exchange rate between U.S. dollars and RMB because the primary value of our business is effectively denominated in RMB, while the common shares will be traded in U.S. dollars. The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. The People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rate and achieve certain exchange rate targets, and through such intervention kept the U.S. dollar-RMB exchange rate relatively stable.

As we may rely on dividends paid to us by our PRC subsidiaries, any significant revaluation of the RMB may have a material adverse effect on our revenues and financial condition, and the value of any dividends payable on our common shares in foreign currency terms. For example, to the extent that we need to convert U.S. dollars we maintain into RMB, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our common shares or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. Furthermore, appreciation or depreciation in the value of the RMB relative to the U.S. dollar would affect our financial results reported in U.S. dollar terms without giving effect to any underlying change in our business or results of operations. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign exchange losses in the future. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert into foreign currencies.

***Fluctuations in exchange rates could adversely affect our business and the value of our securities.***

Changes in the value of the RMB against the U.S. dollar, euro and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. Any significant revaluation of the RMB may have a material adverse effect on our revenues and financial condition, and the value of, and any dividends payable on our shares in U.S. dollar terms. Conversely, if we decide to convert our RMB into U.S. dollar for the purpose of paying dividends on our common stock or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us. Since July 2005, the RMB is no longer pegged to the U.S. dollar, although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, the RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in future, PRC authorities may lift restrictions on fluctuations in the RMB exchange rate and lessen intervention in the foreign exchange market. Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currencies.

***Legislation in certain countries in which we have clients may restrict companies in those countries from outsourcing work to us.***

Offshore outsourcing is a politically sensitive issue in the United States. For example, many organizations and public figures in the United States have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in their home countries. A number of U.S. states have passed legislation that restricts state government entities from outsourcing certain work to offshore service providers. Other U.S. federal and state legislation has been proposed that, if enacted, would provide tax disincentives for offshore outsourcing or require disclosure of jobs outsourced abroad. Similar legislation could be enacted in other countries in which we have clients. Any expansion of existing laws or the enactment of new legislation restricting or discouraging offshore outsourcing by companies in the United States, or other countries in which we have clients could adversely impact our business operations and financial results. In addition, from time to time there has been publicity about negative experiences associated with offshore outsourcing, such as theft and misappropriation of sensitive client data. As a result, current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers. Any slowdown or reversal of existing industry trends towards offshore outsourcing in response to political pressure or negative publicity would harm our ability to compete effectively with competitors that operate out of onshore facilities and adversely affect our business and financial results.

***Disruptions in telecommunications or significant failure in our IT systems could harm our service model, which could result in a reduction of our revenue.***

A significant element of our business strategy is to continue to leverage and expand our sales and delivery centers strategically located in China. We believe that the use of a strategically located network of sales and delivery centers will provide us with cost advantages, the ability to attract highly skilled personnel in various regions of the country and the world, and the ability to service clients on a regional and global basis. Part of our service model is to maintain active voice and data communications, financial control, accounting, customer service and other data processing systems between our main offices in Shanghai, our clients' offices, and our other deliveries centers and support facilities. Our business activities may be materially disrupted in the event of a partial or complete failure of any of these IT or communication systems, which could be caused by, among other things, software malfunction, computer virus attacks, conversion errors due to system upgrading, damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry or other events beyond our control. Loss of all or part of the systems for a period of time could hinder our performance or our ability to complete client projects on time which, in turn, could lead to a reduction of our revenue or otherwise have a material adverse effect on our business and business reputation. We may also be liable to our clients for breach of contract for interruptions in service.

***Our computer networks may be vulnerable to security risks that could disrupt our services and adversely affect our results of operations.***

Our computer networks may be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems caused by unauthorized access to, or improper use of, systems by third parties or employees. A hacker who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in our operations. Although we intend to continue to implement security measures, computer attacks or disruptions may jeopardize the security of information stored in and transmitted through our computer systems. Actual or perceived concerns that our systems may be vulnerable to such attacks or disruptions may deter our clients from using our solutions or services. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches. Data networks are also vulnerable to attacks, unauthorized access and disruptions. For example, in a number of public networks, hackers have bypassed firewalls and misappropriated confidential information. It is possible that, despite existing safeguards, an employee could misappropriate our clients' proprietary information or data, exposing us to a risk of loss or litigation and possible liability. Losses or liabilities that are incurred as a result of any of the foregoing could have a material adverse effect on our business.

***If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations on a timely basis, or prevent fraud, and investor confidence and the market price of our shares may be materially and adversely affected.***

We are required to evaluate the effectiveness of disclosure controls and procedures and internal control over financial reporting. As defined in standards established by the United States Public Company Accounting Oversight Board, or the PCAOB, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. In the course of auditing our consolidated financial statements as of June 30, 2019 and for the year ended June 30, 2019, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as well as other control deficiencies. The material weakness identified is the Company’s lack of sufficient financial accounting and reporting personnel with requisite knowledge and experience in the application of the United States generally accepted accounting principles (“U.S. GAAP”) and Securities and Exchange Commission (“SEC”) rules and lack of sufficient controls and procedures that are commensurate with U.S. GAAP and SEC reporting requirements.

We have implemented a number of measures to improve our internal control over financial reporting to address the material weakness that have been identified. For details about remediation, refer to “Item 15. Controls and Procedures.” As of June 30, 2021, based on an assessment performed by our management on the performance of the remediation measures, we determined that the material weakness previously identified in our internal control over financial reporting had been remediated.

Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. It is possible that, had our independent registered public accounting firm conducted an audit of our internal control over financial reporting, such firm might have identified additional material weaknesses and deficiencies.

We are a public company in the United States subject to the Sarbanes Oxley Act of 2002. Section 404 of the Sarbanes Oxley Act, or Section 404, requires us to include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F. Our management concluded that our internal control over financial reporting is effective as of June 30, 2021. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Even if our management concludes that our internal control over financial reporting is effective in the future, our independent registered public accounting firm, after conducting its own independent testing, may issue an adverse opinion if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Moreover, our internal control over financial reporting may not prevent or detect all errors and fraud. A control system, no matter how well it is designed and operated, cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the market price of our common shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

***Our insurance coverage may be inadequate to protect us against losses.***

Although we maintain property insurance coverage for certain of our facilities and equipment, we do not have any loss of data or business interruption insurance coverage for our operations. If any claims for damage are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources.

### **Risks Relating to Our Corporate Structure**

***We will likely not pay dividends in the foreseeable future.***

Dividend policy is subject to the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements and other factors. There is no assurance that our Board of Directors will declare dividends even if we are profitable. The payment of dividends by entities organized in China is subject to limitations as described herein. Under Cayman Islands law, we may only pay dividends from profits of the Company, or credits standing in the Company’s share premium account, and we must be solvent before and after the dividend payment in the sense that we will be able to satisfy our liabilities as they become due in the ordinary course of business; and the realizable value of assets of our Company will not be less than the sum of our total liabilities, other than deferred taxes as shown on our books of account, and our capital. Pursuant to the Chinese enterprise income tax law, dividends payable by a foreign investment entity to its foreign investors are subject to a withholding tax of 10%. Similarly, dividends payable by a foreign investment entity to its Hong Kong investor who owns 25% or more of the equity of the foreign investment entity is subject to a withholding tax of 5%. The payment of dividends by entities organized in China is subject to limitations, procedures and formalities. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. The transfer to this reserve must be made before distribution of any dividend to shareholders.

***Our business may be materially and adversely affected if any of our Chinese subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.***

The Enterprise Bankruptcy Law of China provides that an enterprise may be liquidated if the enterprise fails to settle its debts as and when they fall due and if the enterprise's assets are, or are demonstrably, insufficient to clear such debts. Our Chinese subsidiaries hold certain assets that are important to our business operations. If any of our Chinese subsidiaries undergoes a voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

***Our WOFE is required to allocate a portion of its after-tax profits to the statutory reserve fund, and as determined by its board of directors, to the staff welfare and bonus funds, which may not be distributed to equity owners.***

Pursuant to Company Law of P.R. China (2018 Revision), Foreign Investment Law of the People's Republic of China (2020) and Implementing Regulations of the Foreign Investment Law of the People's Republic of China (2020), our WOFE entity is required to allocate a portion of its after-tax profits, to the statutory reserve fund, and in its discretion, to the staff welfare and bonus funds. No lower than 10% of an enterprise's after tax-profits should be allocated to the statutory reserve fund. When the statutory reserve fund account balance is equal to or greater than 50% of the WOFE's registered capital, no further allocation to the statutory reserve fund account is required. WOFE determines, in its own discretion, the amount contributed to the staff welfare and bonus funds. These reserves represent appropriations of retained earnings determined according to Chinese law.

***Our failure to obtain prior approval of the China Securities Regulatory Commission ("CSRC") for the listing and trading of our common shares on a foreign stock exchange could have a material adverse effect upon our business, operating results, reputation and trading price of our common shares.***

On August 8, 2006, six Chinese regulatory agencies, including the Ministry of Commerce of the People's Republic of China ("MOFCOM"), jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, which was amended on June 22, 2009 (the "M&A Rule"). The M&A Rule contains provisions that require that an offshore special purpose vehicle ("SPV") formed for listing purposes and controlled directly or indirectly by Chinese companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. On September 21, 2006, the CSRC published procedures specifying documents and materials required to be submitted to it by an SPV seeking CSRC approval of overseas listings. However, the application of the M&A Rule remains unclear with no consensus currently existing among leading Chinese law firms regarding the scope and applicability of the CSRC approval requirement. The CSRC has not issued any such definitive rule or interpretation, and we have not chosen to voluntarily request approval under the M&A Rule. We may face regulatory actions or other sanctions from the CSRC or other Chinese regulatory authorities. These authorities may impose fines and penalties upon our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the IPO proceeds into China, or take other actions that could have a material adverse effect upon our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our common shares.

***If the chops of our PRC companies and subsidiaries are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.***

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

***If we fail to maintain continuing compliance with the PRC state regulatory rules, policies and procedures applicable to our industry, we may risk losing certain preferential tax and other treatments which may adversely affect the viability of our current corporate structure, corporate governance and business operations.***

According to the Catalogue of Industries for Encouraging Foreign Investment (2020) issued by the National Development and Reform Commission and the Ministry of Commerce, IT services fall into the category of industries in which foreign investment is encouraged. The State Council has promulgated several notices since 2000 to launch favorable policies for IT services, such as preferential tax treatments and credit support. Under rules and regulations promulgated by various Chinese government agencies, enterprises that have met specified criteria and are recognized as software enterprises by the relevant government authorities in China are entitled to preferential treatment, including financing support, preferential tax rates, export incentives, discretion and flexibility in determining employees' welfare benefits and remuneration. Software enterprise qualifications are subject to annual examination. Enterprises that fail to meet the annual examination standards will lose the favorable enterprise income tax treatment. Enterprises exporting software or producing software products that are registered with the relevant government authorities are also entitled to preferential treatment including governmental financial support, preferential import, export policies and preferential tax rates. If and to the extent we fail to maintain compliance with such applicable rules and regulations, our operations and financial results may be adversely affected.

## Risks Related to Doing Business in China

***Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect the growth of our business and our competitive position.***

The majority of our business operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to exercise significant control over China's economic growth through direct allocation of resources, monetary and tax policies, and a host of other government policies such as those that encourage or restrict investment in certain industries by foreign investors, control the exchange between the Renminbi and foreign currencies, and regulate the growth of the general or specific market. While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven, both geographically and among various sectors of the economy. Furthermore, the current global economic crisis is adversely affecting economies throughout the world. As the PRC economy has become increasingly linked to the global economy, China is affected in various respects by downturns and recessions of major economies around the world. The various economic and policy measures enacted by the PRC government to forestall economic downturns or bolster China's economic growth could materially affect our business. Any adverse change in the economic conditions in China, in policies of the PRC government or in laws and regulations in China could have a material adverse effect on the overall economic growth of China and market demand for our outsourcing services. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

***Substantial uncertainties exist with respect to the interpretation and implementation of Cyber Security Law as well as any impact it may have on our business operations.***

On July 1, 2015, the Standing Committee of the National People's Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard its sovereignty, security and cybersecurity development interests, and that the government shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of China.

On November 7, 2016, the Standing Committee of the National People's Congress issued the Cyber Security Law, which came into effect on June 1, 2017. This is the first Chinese law that focuses exclusively on cyber security. The Cyber Security Law provides that network operators must set up internal security management systems that meets the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The Cyber Security Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cyber Security Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up.

The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." These requirements include data localization, i.e., storing personal information and important business data in China, and national security review requirements for any network products or services that may have an impact on national security. Among other factors, "critical information infrastructure" is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihood, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public service and e-government.

On July 30, 2021, the the State Council of the People's Republic of China issued the Regulations on Security Protection of Critical Information Infrastructures, which came into effect on September 1, 2021. The Regulations on Security Protection of Critical Information Infrastructures provides that "critical information infrastructure" shall be identified by the "protection work departments" (the competent departments and supervision and administration departments of the important industries and fields, such as public communication and information service, energy, transportation, water resources, finance, public services, e-government affairs, science, technology and industry for national defense as well as other important network facilities and information system, etc. of which the destruction, loss of function and data divulgence may seriously endanger national security, people's livelihood and public interests). A "protection work department" shall, in light of the actualities of the industry or field concerned, formulate the rules for identification of "critical information infrastructure" and submit the same to the public security department of the State Council for record-filing, and shall take the following factors into consideration in the rule formulating work: 1) Degree of importance of the network facilities and information system to the critical and core business of the industry or field concerned; 2) Extent of harm likely to be caused once the network facilities and information system, etc. are destroyed, lose functions or divulge data; and; 3) Correlation effect on other industries and fields. However, no official guidelines as to the scope of "critical information infrastructure" or identification rules of the "critical information infrastructure" of our industry or field have been formally issued.

We do not believe that we are an operator of "critical information infrastructure" as defined in the Cyber Security Law and the Regulations on Security Protection of Critical Information Infrastructures. However, there is no assurance that we may not be considered an operator of "critical information infrastructure" in the future as the definition is not precise, and there are substantial uncertainties as to the ultimate interpretation and implementation of the Cyber Security Law and the Regulations on Security Protection of Critical Information Infrastructures. If we are identified as an operator of "critical information infrastructure" accordingly, it could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

***Uncertainties with respect to the PRC legal system could have a material adverse effect on us.***

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has been building a comprehensive system of laws and regulations governing economic matters in general. The overall effect has been to significantly enhance the protections afforded to various forms of foreign investments in China. We conduct our business primarily through our subsidiaries established in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners, clients and suppliers. In addition, such uncertainties, including any inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

***U.S. regulators' ability to conduct investigations or enforce rules in China is limited.***

The majority of our operations are conducted outside of the U.S. As a result, it may not be possible for the U.S. regulators to conduct investigations or inspections, or to effect service of process within the U.S. or elsewhere outside China on us, our subsidiaries, officers, directors and shareholders, and others, including with respect to matters arising under U.S. federal or state securities laws. China does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with the U.S. and many other countries. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests. As a result, recognition and enforcement in China of these judgments in relation to any matter, including U.S. securities laws and the laws of the Cayman Islands, may be difficult or impossible.

***We face uncertainty regarding the PRC tax reporting obligations and consequences for certain indirect transfers of the stock of our operating company.***

Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, which became effective in February 2015, or Circular 7, Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, which became effective in December 2017, or Circular 37, Law of the People's Republic of China on Enterprise Income Tax on December 29, 2018 and Regulations on the Implementation of Enterprise Income Tax Law on April 23, 2019, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any justifiable business purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the Enterprise Income Tax Law. The PRC tax authority will examine the true nature of such transfer, and the gains derived from such transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise is supposed to provide necessary assistance to support the enforcement of the Laws and Circulars. The PRC tax authorities may make claims against our PRC subsidiary as being indirectly liable for unpaid taxes, if any, arising from Indirect Transfers by shareholders who did not obtain their shares in the public offering of our shares.

***PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise materially and adversely affect us.***

The PRC State Administration of Foreign Exchange, or SAFE, issued a public notice in 2014 known as Circular 37 that requires PRC residents, including both legal persons and natural persons, to register with an appropriate local SAFE branch before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. When a PRC resident contributes the assets or equity interests it holds in a PRC company into the offshore special purpose company, or engages in overseas financing after contributing such assets or equity interests into the offshore special purpose company, such PRC resident must modify its SAFE registration in light of its interest in the offshore special purpose company and any change thereof. Moreover, failure to comply with the above SAFE registration requirements could result in liabilities under PRC laws for evasion of foreign exchange restrictions.

We are committed to complying with the Circular 37 requirements and to ensuring that our shareholders who are PRC citizens or residents comply with them. We believe that all of our current PRC citizen or resident shareholders and beneficial owners have completed their required registrations with SAFE. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the Circular 37 requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. Failure by any such shareholders or beneficial owners to comply with Circular 37 could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

In addition, the PRC National Development and Reform Commission promulgated a rule in 2017 requiring its approval for overseas investment projects made by PRC entities. However, there exist extensive uncertainties as to the interpretation of this rule with respect to its application to a PRC individual's overseas investment and, in practice, we are not aware of any precedents that a PRC individual's overseas investment has been either approved by the National Development and Reform Commission or challenged by the National Development and Reform Commission based on the absence of its approval. Our current beneficial owners who are PRC individuals did not apply for the approval of the National Development and Reform Commission for their investment in us. We cannot predict how and to what extent this will affect our business operations or future strategy.

***PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We may make loans to our PRC subsidiaries and controlled PRC affiliate, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries or controlled PRC affiliate are subject to PRC regulations and approvals. For example, loans by us to our PRC subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart.

We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the Ministry of Commerce in China or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or controlled PRC affiliate or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

In 2015, SAFE promulgated Circular 19, a notice regulating the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 19 requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested enterprise shall be truthfully used for the enterprise's own operational purposes within the scope of business and only the foreign-invested enterprise whose main business is investment (including a foreign-invested investment company, foreign-invested venture capital enterprise or foreign-invested equity investment enterprise) is allowed to directly settle its foreign exchange capital or transfer the RMB funds under its Account for Foreign Exchange Settlement Pending Payment to the account of an invested enterprise according to the actual amount of investment, provided that the relevant domestic investment project is real and compliant.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or controlled PRC affiliate or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

***Governmental control of currency conversion may limit our ability to use our revenues effectively and the ability of our PRC subsidiaries to obtain financing.***

The PRC government imposes control on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our revenues in Renminbi, which currently is not a freely convertible currency. Restrictions on currency conversion imposed by the PRC government may limit our ability to use revenues generated in Renminbi to fund our expenditures denominated in foreign currencies or our business activities outside China. Under China's existing foreign exchange regulations, Renminbi may be freely converted into foreign currency for payments relating to current account transactions, which include among other things dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, by complying with certain procedural requirements. Our PRC subsidiaries may also retain foreign currency in their respective current account bank accounts for use in payment of international current account transactions. However, we cannot assure you that the PRC government will not take measures in the future to restrict access to foreign currencies for current account transactions. Conversion of Renminbi into foreign currencies, and of foreign currencies into Renminbi, for payments relating to capital account transactions, which principally includes investments and loans, generally requires the approval of SAFE and other relevant PRC governmental authorities. Restrictions on the convertibility of the Renminbi for capital account transactions could affect the ability of our PRC subsidiaries to make investments overseas or to obtain foreign currency through debt or equity financing, including by means of loans or capital contributions from us. We cannot assure you that the registration process will not delay or prevent our conversion of Renminbi for use outside of China.

*We may be classified as a “resident enterprise” for PRC enterprise income tax purposes; such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.*

The Enterprise Income Tax Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC tax resident enterprises and will generally be subject to the uniform 25% PRC enterprise income tax rate on their global income. In addition, a tax circular issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises established outside of China as resident enterprises clarified that dividends and other income paid by such resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This recent circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. Under the implementation rules to the Enterprise Income Tax Law, a de facto management body is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. In addition, the tax circular mentioned above details that certain Chinese-invested enterprises will be classified as resident enterprises if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights.

Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining de facto management bodies which are applicable to our company or our overseas subsidiary. If our company or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, our company or our overseas subsidiary will be subject to the uniform 25% enterprise income tax rate as to our global income as well as PRC enterprise income tax reporting obligations. Second, although under the Enterprise Income Tax Law and its implementing rules dividends paid to us from our PRC subsidiaries would qualify as tax-exempted income, we cannot assure you that such dividends will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Finally, dividends payable by us to our investors and gain on the sale of our shares may become subject to PRC withholding tax. It is possible that future guidance issued with respect to the new resident enterprise classification could result in a situation in which a withholding tax of 10% for our non-PRC enterprise investors or a potential withholding tax of 20% for individual investors is imposed on dividends we pay to them and with respect to gains derived by such investors from transferring our shares. In addition to the uncertainty in how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the Enterprise Income Tax law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of our shares under the circumstances mentioned above, the value of your investment in our shares or ADSs may be materially and adversely affected. It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

***The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.***

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In September 2006, the CSRC published a notice on its official website specifying documents and materials required to be submitted to it by a special purpose vehicle seeking CSRC approval of its overseas listings. The application of the M&A Rules remains unclear. These M&A Rules and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOC shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOC that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOC, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOC or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, replacing earlier rules promulgated in March 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who are granted options or other awards under the equity incentive plan will be subject to these regulations as an overseas listed company. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiary's ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

***Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.***

The PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of certain taxable assets, including, in particular, equity interests in a PRC resident enterprise, by a non-resident enterprise by promulgating and implementing SAT Circular 59, Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, which became effective in February 2015, or Circular 7 and Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, which became effective in December 2017, or Circular 37.

Under the Enterprise Income Tax Law, Regulations on the Implementation of Enterprise Income Tax Law, Circular 7 and Circular 37, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any justifiable business purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the Enterprise Income Tax Law. The non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC tax at a rate of up to 10%.

In February 2015, the SAT issued Circular 7 to replace the rules relating to indirect transfers in Circular 698. Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

We face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed, under Circular 59 and Circular 7, and may be required to expend valuable resources to comply with Circular 59 and Circular 7 or to establish that we and our non-resident enterprises should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under SAT Circular 59, and Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. Although we currently have no plans to pursue any acquisitions in China or elsewhere in the world, we may pursue acquisitions in the future that may involve complex corporate structures. If we are considered a non-resident enterprise under the PRC Enterprise Income Tax Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 59 or Circular 7, our income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

***We may rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.***

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We may rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

***Our current employment practices may be restricted under the PRC Labor Contract Law and our labor costs may increase as a result.***

The PRC Labor Contract Law and its implementing rules impose requirements concerning contracts entered into between an employer and its employees and establishes time limits for probationary periods and for how long an employee can be placed in a fixed-term labor contract. Because the Labor Contract Law and its implementing rules have not been in effect very long and because there is lack of clarity with respect to their implementation and potential penalties and fines, it is uncertain how it will impact our current employment policies and practices. We cannot assure you that our employment policies and practices do not, or will not, violate the Labor Contract Law or its implementing rules and that we will not be subject to related penalties, fines or legal fees. If we are subject to large penalties or fees related to the Labor Contract Law or its implementing rules, our business, financial condition and results of operations may be materially and adversely affected. In addition, according to the Labor Contract Law and its implementing rules, if we intend to enforce the non-compete provision with an employee in a labor contract or non-competition agreement, we have to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract, which may cause extra expenses to us. Furthermore, the Labor Contract Law and its implementation rules require certain terminations to be based upon seniority rather than merit, which significantly affects the cost of reducing workforce for employers. In the event we decide to significantly change or decrease our workforce in the PRC, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost effective manner, thus our results of operations could be adversely affected.

***The audit report included in this annual report is prepared by an auditor who is not inspected by the Public Company Accounting Oversight Board, and as such, you are deprived of the benefits of such inspection.***

Our independent registered public accounting firm that issues the audit report included in this annual report, as auditors of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Since our auditors are located in China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and PCAOB will take to address the problem.

Inspections of other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

As part of a continued regulatory focus in the United States on access to audit and other information currently restricted by China's own law, in June 2019 a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the NYSE of issuers included on the SEC's list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our shares could be adversely affected. It is unclear if this proposed legislation would be enacted. Furthermore, there has been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations should materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States including us.

On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues related to the greater risk, the statement again highlights the PCAOB's inability to inspect audit work and practices of accounting firms in China with respect to their audit work of U.S. reporting companies. Inspections of other accounting firms that the PCAOB has conducted have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors of our ordinary shares do not derive the benefits of PCAOB inspections, and may lose confidence in our reported financial information and procedures and the quality of our financial statements.

***If additional remedial measures are imposed on the Big Four PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.***

Ernst & Young Hua Ming LLP, our independent registered public accounting firm, is required under U.S. law to undergo regular inspections by the PCAOB. However, without approval from the Chinese government authorities, the PCAOB is currently unable to conduct inspections of the audit work and practices of PCAOB-registered audit firms within the PRC on a basis comparable to other non-U.S. jurisdictions. Since we have substantial operations in the PRC, our independent registered public accounting firm and its audit work are currently not fully inspected by the PCAOB.

The SEC previously instituted proceedings against mainland Chinese affiliates of the "big four" accounting firms, including the affiliate of our auditor, for failing to produce audit work papers under Section 106 of the Sarbanes-Oxley Act because of restrictions under PRC law. Each of the "big four" accounting firms in mainland China agreed to a censure and to pay a fine to the SEC to settle the dispute and stay the proceedings for four years, until the proceedings were deemed dismissed with prejudice on February 6, 2019. It remains unclear whether the SEC will commence a new administrative proceeding against the four mainland China-based accounting firms. Any such new proceedings or similar action against our audit firm for failure to provide access to audit work papers could result in the imposition of penalties, such as suspension of our auditor's ability to practice before the SEC. The audit committee is aware of the policy restriction and regularly communicated with our independent auditor to ensure compliance. If additional remedial measures are imposed on the China-based "big four" accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act. If our independent registered public accounting firm, or its affiliate, was denied, even temporarily, the ability to practice before the SEC, and it was determined that our financial statements or audit reports were not in compliance with the requirements of the U.S. Exchange Act, we could be at risk of delisting or become subject to other penalties that would adversely affect our ability to remain listed on the Nasdaq.

In recent years, U.S. regulators have continued to express their concerns about challenges in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. More recently, as part of increased regulatory focus in the U.S. on access to audit information, on December 18, 2020, the President of the United States signed into law the Holding Foreign Companies Accountable Act (the “HFCAA”), which includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate completely because of a restriction imposed by a non-U.S. authority in the auditor’s local jurisdiction. On March 24, 2021, the SEC issued rule amendments to implement submission and disclosure requirements mandated by HFCAA, one of which requires the SEC to identify issuers whose audit reports are prepared by an accounting firm that is located in a foreign jurisdiction and the PCAOB has determined it is unable to inspect due to legal restrictions of that foreign jurisdiction. PCAOB publishes its own list of issuers whose audit reports it cannot duly inspect. As of January 1, 2021, the PCAOB list consists of 197 issuers located in Mainland China, and our Company is one of them. If our Company becomes an SEC-identified issuer when the SEC identified list becomes available, our securities may be prohibited from trading on the Nasdaq or other U.S. stock exchanges if our auditor is not inspected by the PCAOB for three consecutive years, and this ultimately could result in our ordinary shares being delisted. Delisting of our ordinary shares would force our U.S.-based shareholders to sell their shares. The market prices of our ordinary shares could be adversely affected as a result of anticipated negative impacts of the HFCAA upon, as well as negative investor sentiment towards, China-based companies listed in the United States, regardless of whether the HFCAA is enacted and regardless of our actual operating performance.

On September 22, 2021 the PCAOB adopted a final rule implementing the HFCAA, which awaits the SEC approval before going into effect. In the final rule the PCAOB is currently unable to inspect or investigate accounting firm due to a position of the local authority in China, which is the office location of our independent auditors. Any resulting actions, proceedings or new rules could adversely affect the listing and compliance status of China-based issuers listed in the United States, such as our company, and may have a material and adverse impact on the trading prices of the securities of such issuers, including our ordinary shares, and substantially reduce or effectively terminate the trading of our ordinary shares in the United States.

***We may not meet continued listing standards on the NASDAQ Global Market.***

If our shares are delisted from the NASDAQ Global Market at some later date, our shareholders could find it difficult to sell our shares. In addition, if our common shares are delisted from the NASDAQ Global Market at some later date, we may apply to have our common shares quoted in the OTC Markets, otherwise they would automatically begin Quotation or in the “pink sheets” maintained by the National Quotation Bureau, Inc. The OTC Markets and the “pink sheets” are less efficient markets than the NASDAQ Global Market. In addition, if our common shares are delisted at some later date, our common shares may be subject to the “penny stock” regulations. These rules impose additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors and require the delivery of a disclosure schedule explaining the nature and risks of the penny stock market. As a result, the ability or willingness of broker-dealers to sell or make a market in our common shares might decline. If our common shares are delisted from the NASDAQ Global Market at some later date or become subject to the penny stock regulations, it is likely that the price of our shares would decline and that our shareholders would find it difficult to sell their shares.

***The market price for our shares may be volatile.***

The trading prices of our common shares are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of internet or other companies based in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial decline in their trading prices. The trading performances of other Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our common shares, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, which may have a material adverse effect on the market price of our shares. In addition to the above factors, the price and trading volume of our common shares may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us, our users, or our industry;
- regulatory uncertainties with regard to our variable interest entity arrangements;
- announcements of studies and reports relating to our service offerings or those of our competitors;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures or capital commitments;
- additions to or departures of our senior management;
- detrimental negative publicity about us, our management or our industry;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding common shares; and
- sales or perceived potential sales of additional common shares.

***We are a “foreign private issuer,” and our disclosure obligations differ from those of U.S. domestic reporting companies. As a result, we may not provide you the same information as U.S. domestic reporting companies or we may provide information at different times, which may make it more difficult for you to evaluate our performance and prospects.***

We are a foreign private issuer and, as a result, we are not subject to the same requirements as U.S. domestic issuers. Under the Exchange Act, we will be subject to reporting obligations that, to some extent, are more lenient and less frequent than those of U.S. domestic reporting companies. For example, we will not be required to issue quarterly reports or proxy statements. We will not be required to disclose detailed individual executive compensation information. Furthermore, our directors and executive officers will not be required to report equity holdings under Section 16 of the Exchange Act and will not be subject to the insider short-swing profit disclosure and recovery regime. As a foreign private issuer, we will also be exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. However, we will still be subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Exchange Act. Since many of the disclosure obligations imposed on us as a foreign private issuer differ from those imposed on U.S. domestic reporting companies, you should not expect to receive the same information about us and at the same time as the information provided by U.S. domestic reporting companies.

***We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than under U.S. law, you may have less protection for your shareholder rights than you would under U.S. law.***

Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Islands Companies Law (Revised) (the “Companies Law”) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a different body of securities laws than the United States. In addition, some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a U.S. public company.

***Judgments obtained against us by our shareholders may not be enforceable.***

We are a Cayman Islands company and all of our assets are located outside of the United States. Our current operations are based in China. In addition, our current directors and executive officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

***We are a foreign private issuer and, as a result, will not be subject to U.S. proxy rules and will be subject to more lenient and less frequent Exchange Act reporting obligations than a U.S. issuer.***

We report under the Securities Exchange Act as a foreign private issuer. Because we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including:

- the sections of the Exchange Act that regulate the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act that require insiders to file public reports of their stock ownership and trading activities and impose liability on insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act that require the filing of quarterly reports on Form 10-Q containing unaudited financial and other specified information and current reports on Form 8-K upon the occurrence of specified significant events.

In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are not large accelerated filers or accelerated filers are required to file their annual report on Form 10-K within 90 days after the end of each fiscal year. Foreign private issuers are also exempt from Regulation FD, aimed at preventing issuers from making selective disclosures of material information. There is no formal requirement under the Company's memorandum and articles of association mandating that we hold an annual meeting of our shareholders. However, notwithstanding the foregoing, we intend to hold such meetings on our annual meeting to, among other things, elect our directors. As a result, you may not have the same protections afforded to stockholders of companies that are not foreign private issuers.

***We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.***

The determination of our status as a foreign private issuer is made annually on the last business day of our most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on or after December 31, 2020. We would lose our foreign private issuer status if (1) a majority of our outstanding voting securities are directly or indirectly held of record by U.S. residents, and (2) a majority of our shareholders or a majority of our directors or management are U.S. citizens or residents, a majority of our assets are located in the United States, or our business is administered principally in the United States. If we were to lose our foreign private issuer status, the regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. We may also be required to modify certain of our policies to comply with corporate governance practices associated with U.S. domestic issuers, which would involve additional costs.

***We may be exposed to risks relating to evaluations of controls required by Sarbanes-Oxley Act of 2002.***

Pursuant to Sarbanes-Oxley Act of 2002, our management is required to report on, and our independent registered public accounting firm may in the future be required to attest to, the effectiveness of our internal control over financial reporting. Our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. If we fail to implement any required improvements to our disclosure controls and procedures, we may be obligated to report control deficiencies and, if required, our independent registered public accounting firm may not be able to certify the effectiveness of our internal controls over financial reporting. In either case, we could become subject to regulatory sanction or investigation. Further, these outcomes could damage investor confidence in the accuracy and reliability of our financial statements.

***As an "emerging growth company" under the Jumpstart Our Business Startups Act, or JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements.***

As an "emerging growth company" under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. We are an emerging growth company until the earliest of:

- the last day of the fiscal year during which we have total annual gross revenues of \$1.07 billion or more;
- the last day of the fiscal year following the fifth anniversary of our IPO;
- the date on which we have, during the previous 3-year period, issued more than \$1 billion in non-convertible debt; or
- the date on which we are deemed a "large accelerated issuer" as defined under the federal securities laws.

For so long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act for up to five fiscal years after the date of the IPO. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the trading price of our common shares may be more volatile. In addition, our costs of operating as a public company may increase when we cease to be an emerging growth company.

***We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. holders of our common shares.***

Based on the historical market price of our common shares since the IPO, and the composition of our income, assets and operations, we do not expect to be treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for the current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure you the U.S. Internal Revenue Service will not take a contrary position. Furthermore, this is a factual determination that must be made annually after the close of each taxable year. If we are a PFIC for any taxable year during which a U.S. holder holds our common shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our common shares and trading volume could decline.***

The trading market for our common shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, the market price for our common shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our common shares to decline.

***Our corporate structure, together with applicable law, may impede shareholders from asserting claims against us and our principals.***

All of our operations and records, and all of our senior management are located in the PRC. Shareholders of companies such as ours have limited ability to assert and collect on claims in litigation against such companies and their principals. In addition, China has very restrictive secrecy laws that prohibit the delivery of many of the financial records maintained by a business located in China to third parties absent Chinese government approval. Since discovery is an important part of proving a claim in litigation, and since most if not all of our records are in China, Chinese secrecy laws could frustrate efforts to prove a claim against us or our management. In addition, in order to commence litigation in the United States against an individual such as an officer or director, that individual must be served. Generally, service requires the cooperation of the country in which a defendant resides. China has a history of failing to cooperate in efforts to affect such service **increased costs** vice upon Chinese citizens in China.

***If we become directly subject to the recent scrutiny involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and defend the matter, which could harm our business operations, stock price and reputation and could result in a complete loss of your investment in us.***

Recently, U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny by investors, financial commentators and regulatory agencies. Much of the scrutiny has centered around financial and accounting irregularities and mistakes, a lack of effective internal controls over financial reporting and, in many cases, allegations of fraud. As a result of the scrutiny, the publicly traded stock of many U.S. listed China-based companies that have been the subject of such scrutiny has sharply decreased in value. Many of these companies are now subject to shareholder lawsuits and or SEC enforcement actions that are conducting internal and or external investigations into the allegations. If we become the subject of any such scrutiny, whether any allegations are true or not, we may have to expend significant resources to investigate such allegations and or defend our company. Such investigations or allegations will be costly and time-consuming and distract our management from our business plan and could result in our reputation being harmed and our stock price could decline as a result of such allegations, regardless of the truthfulness of the allegations.

***Changes in general economic conditions, geopolitical conditions, U.S.-China trade relations and other factors beyond the Company’s control may adversely impact our business and operating results.***

The Company’s operations and performance depend significantly on global and regional economic and geopolitical conditions. Changes in U.S.-China trade policies, and a number of other economic and geopolitical factors both in China and abroad could have a material adverse effect on the Company’s business, financial condition, results of operations or cash flows. Such factors may include, without limitation:

- instability in political or economic conditions, including but not limited to inflation, recession, foreign currency exchange restrictions and devaluations, restrictive governmental controls on the movement and repatriation of earnings and capital, and actual or anticipated military or political conflicts, particularly in emerging markets;
- intergovernmental conflicts or actions, including but not limited to armed conflict, trade wars, retaliatory tariffs, and acts of terrorism or war; and
- interruptions to the Company’s business with its largest customers, distributors and suppliers resulting from but not limited to, strikes, financial instabilities, computer malfunctions or cybersecurity incidents, inventory excesses, natural disasters or other disasters such as fires, floods, earthquakes, hurricanes or explosions.

Any of the foregoing or similar factors could result in reduced demand for our services which, in turn, could have material adverse effects on our business and results of operations.

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and Development of the Company

We are a global information technology (“IT”), consulting and solutions service provider focused on delivering services to global institutions in banking, insurance and financial sectors, both in China and globally. For more than ten years, we have served 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, Southeast Asia, and Hong Kong and their PRC-based IT centers.

Since our inception, we have aimed to build one of the largest sales and service delivery platforms for IT services and solutions in China. The nature of our services is such that we provide a majority of services to our banking and credit card clients in order to build new or modify existing clients’ own proprietary systems. We are fully committed of providing digital transformation services with focused on financial and technology in the banking, wealth management, e-commerce, and automotive industries, among others, through the utilization of innovative technology to achieve our client’s goals. We maintain nineteen delivery and/or R&D centers, of which eleven are located in Mainland China (Shanghai, Beijing, Dalian, Tianjin, Baoding, Xi’an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan) and eight are located globally (Hong Kong SAR, the United States of America, the Philippines, Japan, Singapore, Malaysia, Australia, and India.) By combining onsite (when we send our team to our client) or onshore (when we send our team to client’s overseas location) support and consulting with scalable and high-efficiency offsite (when we send our team to a location other than client’s location) or offshore (when we send our team to a location that is other than a client’s location overseas) services and processing, we are able to meet client demands in a cost-effective manner while retaining significant operational flexibility. By serving both Chinese and global clients on a common platform, we are able to leverage the shared resources, management, industry expertise and technological know-how to attract new business and remain cost competitive.

#### *Corporate History and Background*

CLPS Incorporation was incorporated under the laws of the Cayman Islands on May 11, 2017. Our share capital is US\$10,000, which is divided into 100,000,000 common shares authorized, or US\$0.0001 par value per share. On December 7, 2017, the Board of Directors approved a nominal issuance of the following shares to the existing shareholders: 5,000,000 shares to Qinrui Ltd., 5,000,000 shares to Qinhui Ltd., 430,823 shares to Qinlian Ltd., 430,804 shares to Qinqing Ltd. and 428,373 shares to Qinyao Ltd. All of the five shareholders are incorporated in the British Virgin Islands.

The Company owns all of the outstanding capital stock of both Qinsheng (incorporated on June 9, 2017) and Qiner (incorporated on April 21, 2017). Qinsheng owns all of the outstanding capital stock of CLPS QC (WFOE) (incorporated on August 4, 2017). CLPS QC (WFOE) and Qiner respectively own 55.30% and 44.70% of the outstanding capital stock of CLPS Shanghai, the Company’s operating subsidiary based in Pudong New District, Shanghai, China, originally incorporated on August 30, 2005.

On August 30, 2005, CLPS Shanghai was established by Jingsu Pan and Xiaochun Deng as a PRC limited liability company. Jingsu Pan and Xiaochun Deng each actually paid RMB250,000 (approximately US\$30,881) in cash for 50% of equity interest in CLPS Shanghai, and the total registered capital of CLPS Shanghai was RMB500,000 (approximately US\$61,763).

On December 23, 2005, CLPS Shanghai increased its registered capital to RMB1,000,000 (approximately US\$123,671). Jingsu Pan and Xiaochun Deng respectively made full payment for their subscribed capital to RMB500,000 (approximately US\$61,835) on December 21, 2005.

On March 29, 2010, Yan Pan entered into a *Share Purchase Agreement* with Jingsu Pan to purchase all of Jingsu Pan’s shares in CLPS Shanghai. Pursuant to the *Share Purchase Agreement*, Yan Pan paid RMB500,000 (approximately US\$61,835) for 50% shares of CLPS Shanghai. After this share transfer, Yan Pan and Xiaochun Deng respectively held 50% shares of CLPS Shanghai.

On October 19, 2010, Raymond Ming Hui Lin entered into a *Share Purchase Agreement* with Xiaochun Deng to purchase all of Xiaochun Deng’s shares in CLPS Shanghai. Pursuant to the *Share Purchase Agreement*, Raymond Ming Hui Lin paid RMB500,000 (approximately US\$61,835) for 50% shares of CLPS Shanghai. After this share transfer, Yan Pan and Raymond Ming Hui Lin respectively held 50% shares of CLPS Shanghai. Since Raymond Ming Hui Lin is a Hong Kong resident, CLPS Shanghai changed its form in a Sino-foreign equity joint venture.

On October 31, 2012, CLPS Shanghai increased its registered capital to RMB5,000,000 (approximately US\$799,987). Yan Pan and Raymond Ming Hui Lin each increased their subscribed capital to RMB2,500,000 (approximately US\$399,993). Yan Pan actually paid RMB1,000,000 (approximately US\$159,997) and Raymond Ming Hui Lin actually paid RMB1,008,120 (approximately US\$161,296) for the capital contributions on October 18, 2012.

On October 30, 2013, Xiao Feng Yang entered into a *Share Purchase Agreement* with Yan Pan to purchase all of Yan Pan’s shares in CLPS Shanghai. Pursuant to the *Share Purchase Agreement*, Xiao Feng Yang paid RMB2,500,000 (approximately US\$399,993) for 50% shares of CLPS Shanghai. After this share transfer, Xiao Feng Yang and Raymond Ming Hui Lin respectively held 50% shares of CLPS Shanghai.

On June 24, 2014, CLPS Shanghai increased its registered capital to RMB30,000,000 (approximately US\$4,759,004). Xiao Feng Yang and Raymond Ming Hui Lin respectively increased their subscribed capital to RMB15,000,000 (approximately US\$2,379,502).

On April 23, 2015, Raymond Ming Hui Lin paid RMB6,163,560 (approximately US\$994,523) for the capital contribution that he has made.

On May 27, 2015, Raymond Ming Hui Lin paid RMB3,391,883 (approximately US\$546,980) for the capital contribution that he has made.

On May 29, 2015, Xiao Feng Yang paid RMB4,400,000 (approximately US\$709,906), plus with his cash dividends for the capital contribution that he has made.

On August 5, 2015, Raymond Ming Hui Lin paid RMB3,894,060 (approximately US\$627,103) for the capital contribution that he has made.

On August 27, 2015, Raymond Ming Hui Lin paid RMB42,377 (approximately US\$6,615) for the capital contribution that he has made.

On July 21, 2015, Xiao Feng Yang paid RMB1,100,000 (approximately US\$177,147) for the capital contribution that he has made.

On August 14, 2015, Xiao Feng Yang paid RMB8,000,000 (approximately US\$1,251,799), plus with his cash dividends for the capital contribution that he has made.

On December 15, 2015, CLPS Shanghai changed its form into a PRC joint stock limited company. The share capital of CLPS Shanghai was RMB30,000,000, which was divided into 30,000,000 shares of RMB1.00 per share.

On May 26, 2016, three limited partnerships subscribed new shares issued by CLPS Shanghai and became shareholders of CLPS Shanghai. These three limited partnerships were: Shanghai Qinyao Investment Partnership (LLP), Shanghai Qinzhi Investment Partnership (LLP) and Shanghai Qinshang Software Technology Counsel Partnership (LLP). After the above-mentioned subscription, the shareholding structure of CLPS Shanghai was as follows:

<b>INVESTORS</b>	<b>PLACE OF REGISTRATION</b>	<b>SHARES</b>
Xiao Feng Yang	PRC	15,000,000
Raymond Ming Hui Lin	Hong Kong	15,000,000
Shanghai Qinyao Investment Partnership (LLP)	PRC	1,700,000
Shanghai Qinzhi Investment Partnership (LLP)	PRC	1,270,000
Shanghai Qinshang Software Technology Counsel Partnership (LLP)	PRC	900,000
Total:		<u>33,870,000</u>

On June 5, 2017, Qinheng was established by CLPS Incorporation in Hong Kong. The total amount of share capital of Qinheng to be subscribed by CLPS Incorporation was HKD 10,000.00 and CLPS Incorporation held 100% of equity interest in Qinheng.

In July 2017, three of the abovementioned limited partnerships transferred all of their equity interest in CLPS Shanghai to their individual partners according to the proportion of each partner's capital contribution. A total of 47 individuals became shareholders of CLPS Shanghai.

In August 2017, Qiner entered into three *Share Purchase Agreements* with three non-Chinese individual shareholders of CLPS Shanghai. The three non-Chinese individual shareholders are Raymond Ming Hui Lin (Hong Kong), Limpiada Zosimo (Philippines) and Lin James De-Mou (Taiwan). Including, Raymond Ming Hui Lin sold 15,000,000 shares, Limpiada Zosimo sold 71,229 shares and Lin James De-Mou sold 67,510 shares. The aforementioned share transfer was part of reorganization of the group.

On August 4, 2017, CLPS QC (WFOE) received a business license from China (Shanghai) Pilot Free Trade Zone Administration for Industry and Commerce and was established by Qinheng as a PRC limited liability company. Qinheng subscribed USD 200,000 and held 100% of equity interest in CLPS QC (WFOE).

On October 31, 2017, CLPS Incorporation entered into a *SOLD NOTE* with Raymond Lin Ming Hui to purchase all of Raymond Lin Ming Hui's shares in Qiner. After this transfer, CLPS Incorporation held 100% shares of Qiner. Qiner has become CLPS Incorporation's wholly-owned subsidiary.

In October 2017, all Chinese individual shareholders of CLPS Shanghai completed the procedures for foreign exchange registration of overseas investments in accordance with the *Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles* (SAFE 2014 No. 37). After these registrations, CLPS QC (WFOE) entered into 46 *Share Purchase Agreements* with all 46 Chinese individual shareholders of which the 46 Chinese individual shareholders in total held 18,731,261 shares of CLPS Shanghai. The aforementioned share transfer was part of a reorganization of the group.

On November 2, 2017, the transfer between the 46 Chinese individual shareholders and CLPS QC (WFOE) has completed the record-filing of changes of Foreign-invested Company and got the record receipt.

On September 15, 2020, Shanghai Qincheng Information Technology Co., Ltd. and Qiner Co., Limited subscribed new shares issued by CLPS Shanghai. After the above-mentioned subscription, the shareholding structure of CLPS Shanghai was as follows:

INVESTORS	PLACE OF REGISTRATION	SHARES
Shanghai Qincheng Information Technology Co., Ltd.	PRC	27,651,699
Qiner Co., Limited	Hong Kong	22,348,301
Total:		50,000,000

As of the date of this Annual Report, CLPS Shanghai has three wholly-owned subsidiaries: CLPS RC, CLPS Huanyu, and CLPS Hangzhou Co., Ltd., Besides the three wholly-owned subsidiaries, CLPS Shanghai participated in the following investments:

- **CLPS Beijing** — CLPS Shanghai holds 49% of equity interest in CLPS Beijing, a PRC limited liability company
- **JAJI China** — CLPS Shanghai holds a 60% of equity interest in JAJI China, a PRC limited liability company
- **CLPS Shenzhen** — CLPS Shanghai holds 70% of equity interest in CLPS Shenzhen, a PRC limited liability company.
- **CLPS Guangzhou** — CLPS Shanghai holds 51% of equity interest in CLPS Guangzhou, a PRC limited liability company.
- **CLPS Dalian** — CLPS Shanghai holds 49% of equity interest in CLPS Dalian, a PRC limited liability company.
- **CLPS Guangdong Zhichuang** — CLPS Shanghai holds 10% of equity interest in CLPS Guangdong Zhichuang, a PRC limited liability company.
- **CLPS Shenzhen Robotics** — CLPS Shanghai holds 10% of equity interest in CLPS Shenzhen Robotics, a PRC limited liability company.
- **SSIT** — CLPS Shanghai holds 35% of equity interest in SSIT, a PRC limited liability company.
- **UniDev** — CLPS Shanghai holds 15% of equity interest in UniDev, a PRC limited liability company.

IT consulting services primarily includes application development services for banks and institutions in the financial industry and which are billed for on a time-and-expense basis. Customized IT solutions services primarily includes customized solution development and maintenance service for general enterprises and which are billed for on a fixed-price basis. The following entities provide either consulting or solution services or both, depending on where our clients are based. The entities are currently servicing one of the services might expand to both services if our clients' needs arise:

- CLPS Dalian provides both consulting and solution services. CLPS Dalian services clients in China's north east region, including Dalian.
- CLPS RC provides consulting services. CLPS RC focuses on small and medium domestic financial institutions.
- CLPS Beijing provides both consulting and solution services. CLPS Beijing services clients in China's central east region, including Beijing and Tianjin.
- CLPS-Ridik AU currently only provides consulting services. CLPS-Ridik AU services clients in Australia.
- CLPS SG currently only provides consulting services. CLPS SG services clients in South East Asia region, including Singapore.



## The Initial Public Offering

On May 24, 2018, the Company completed its initial public offering of 2,000,000 common shares, \$0.0001 par value per share. The common shares were sold at an offering price of \$5.25 per share, generating gross proceeds of approximately \$10.5 million, and net proceeds of approximately \$9.5 million. The registration statement relating to this IPO also covered the underwriters' common stock purchase warrants and the common shares issuable upon the exercise thereof in the total amount of 83,162 common shares. Each five-year warrant entitles the warrant holder to purchase the Company's shares at the exercise price of \$6.30 per share and is not be transferable for a period of 180 days from May 23, 2018. On June 8, 2018, the Company closed on the exercise in full of the over-allotment option to purchase an additional 300,000 common shares of the Company by The Benchmark Company, LLC, the representative of the underwriters in connection with and the book running manager of the Company's IPO, at the IPO price of \$5.25 per share. As a result, the Company raised gross proceeds of approximately \$1.58 million, in addition to the IPO gross proceeds of approximately \$10.5 million, or combined gross IPO proceeds of approximately \$12.08 million, before underwriting discounts and commissions and offering expenses. Our common shares began trading on the NASDAQ Capital Market on May 24, 2018 under the ticker symbol "CLPS".

We have earmarked and have been using the proceeds of the initial public offering as follows: approximately \$4.41 million for global expansion, i.e., to expand our existing locations to develop new clients by hiring more qualified personnel, system integration and marketing effort; approximately \$3.31 million for working capital and general corporate purposes; approximately \$2.21 million for R&D; and approximately \$1.09 million for talent development.

## B. Business Overview

### Overview

We are a global information technology ("IT"), consulting and solutions service provider focused on delivering services to global institutions in banking, insurance and financial sectors, both in China and globally. For more than ten years, we have served as an IT solutions provider to a growing network of clients in the global financial industry, including large financial institutions from the US, Europe, Australia, Southeast Asia and Hong Kong, and their PRC-based IT centers. We have created and developed a particular market niche by providing turn-key financial solution. Since our inception, we have aimed to build one of the largest sales and service delivery platforms for IT services and solutions in China. We are fully committed of providing digital transformation services with focused on financial and technology in the banking, wealth management, e-commerce, and automotive industries, among others, through the utilization of innovative technology to achieve our client's goals. We maintain nineteen delivery and/or R&D centers, of which eleven are located in Mainland China (Shanghai, Beijing, Dalian, Tianjin, Baoding, Xi'an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan) and eight are located globally (Hong Kong SAR, the United States of America, the Philippines, Japan, Singapore, Malaysia, Australia, and India.) By combining onsite or onshore support and consulting with scalable and high-efficiency offsite or offshore services and processing, we are able to meet client demands in a cost-effective manner while retaining significant operational flexibility. We believe that maintaining our Company as a proven, reliable partner to our financial industry clients both in China and globally positions us well to capture greater opportunities in the rapidly evolving global market for IT consulting and solutions.

### Industry and Market Background

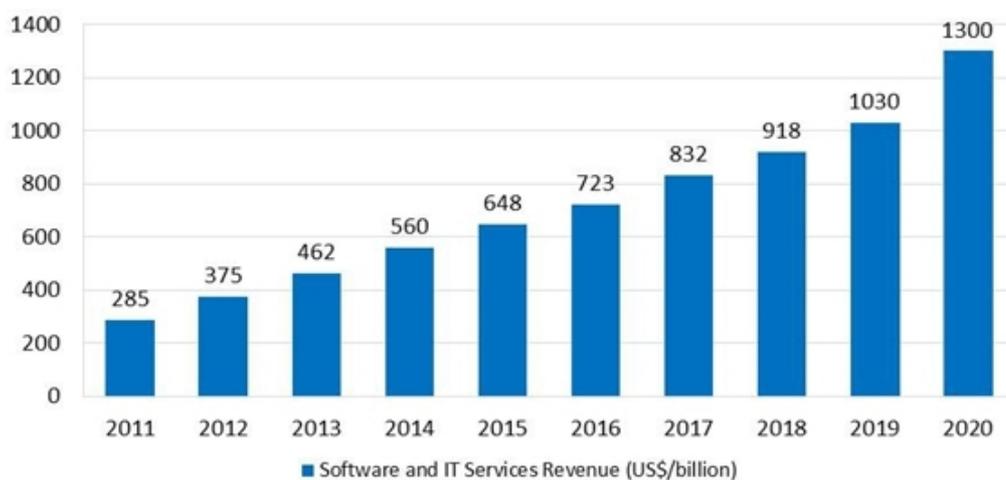
#### *China's Banking Industry*

According to the 2020 annual report of China Banking and Insurance Regulatory Commission (CBIRC), China's banking financial institutions had total assets of RMB 312.7 trillion (USD 48.4 trillion) at the end of 2020, a year-on-year increase of RMB 30.2 trillion (USD 4.7 trillion), or 10.5%. Total liabilities equalled to RMB 286.2 trillion (USD 44.3 trillion), a year-on-year increase of RMB 28.0 trillion (USD 4.3 trillion), or 10.7%. The total assets of banking financial institutions were RMB 94.3 trillion (USD 14.6 trillion) in 2010. Over the past 10 years, total assets of China's banking financial institutions grew at a compound annual growth rate of more than 10%. However, the banking industry is facing many challenges, such as the competition with private capital, the participation of technological enterprises, changes in the financial market, the tightening of regulatory policies, and more diversified deposit substitute products, among others. Following the 2006 repeal of geographical and customer restrictions on foreign banks, the CBIRC continued the policies to open China's banking industry for entry by foreign competitors to promote healthy competition in the industry. Since 2018, the CBIRC has announced three rounds of 34 new measures to further open up China to the outside world, such as abolishing or relaxing restrictions on foreign ownership, relaxing access conditions for foreign institutions and businesses, expanding the business scope of foreign institutions, optimizing regulatory rules for foreign institutions and simplifying administrative licensing procedures. By the end of 2020, foreign banks had set up 41 foreign legal entities, 116 branches of foreign banks and 144 representative offices in China, with a total asset of RMB 3.78 trillion (USD 0.6 trillion).

According to the 2020 Economic Performance of the Software Industry report of Ministry of Industry and Information Technology (MIIT), China's software and information technology service industry continued to recover, gradually overcame the impacts of the COVID-19 pandemic and showed a steady development trend. Both revenue and profits maintained rapid growth momentum, and the number of employees increased in a stable rate. Information technology services shifted to cloud-based, and software applications became more service-oriented and platform-based. The growth rate of the software industry in the western region grew rapidly, while the eastern region maintained a concentrated and leading development trend.

China's software and information technology services industry has developed and grown rapidly in recent years. The MIIT data showed that the industry's revenue reached RMB 8.2 trillion (USD 1.3 trillion) in 2020, an increase of 13.3% compared to 2019, with the same growth rate. Industry profits grew steadily. In 2020, the industry achieved a total profit of RMB 1.1 trillion (USD 0.17 trillion), an increase of 7.8% over the previous year.

### The Revenue of China's Software and IT Services Industry

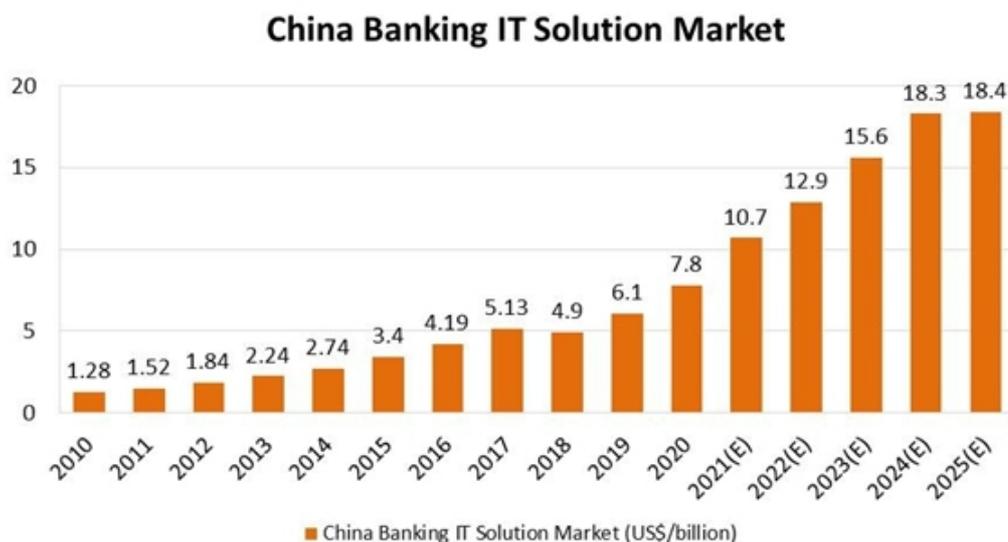


Data Source: The Ministry of Industry and Information Technology, National Bureau of Statistics of China.

The development of China's software and IT service industry is generally characterized by:

- **Software products** —In 2020, the industry's revenue from software products reached RMB 2.28 trillion (USD 0.35 trillion), an increase of 10.1% over the previous year, accounting for 27.9% of the industry's revenue. Among them, the revenues from industrial software products are RMB 197.4 billion (USD 30.6 billion), an increase of 11.2%. playing an important role in supporting the independent and controllable development of the industrial sector.
- **Information technology services** —Stayed ahead and continued to evolve towards cloud computing. In 2020, the industry's revenue from information technology services reached RMB 5.0 trillion (USD 0.77 trillion), an increase of 15.2% over the previous year. The growth rate was 1.9% higher than the industry's average, accounting for 61.1% of the industry's revenue. Among them, e-commerce platform technical services revenues reached RMB 0.9 trillion (USD 0.14 trillion), an increase of 10.5% over the previous year. The aggregate revenues from cloud services and big data services were RMB 411.6 billion (USD 63.7 billion), up by 11.1% year-on-year.
- **Embedded system software** – In 2020, the revenue of embedded system software reached RMB 749.2 billion (USD 116 billion), an increase of 12% over the previous year, accounting for 9.2% of the industry's revenue. Embedded system software has become a key driving technology for digital transformation of products and equipment and intelligent value-added in various fields.
- **Development on regional level** — The eastern and western regions grew rapidly. In 2020, revenue from software business completed in eastern regions reached RMB 6.5 trillion (USD 1 trillion), with a growth rate of 14.2% year-on-year, accounting for 80.0% of the national software industry. Revenue from software business completed in central and western regions was RMB 372.6 billion (USD 57.7 billion) and RMB 999.9 billion (USD 154.9 billion), with a growth rate of 3.9% and 14.6%, accounting for 5.0% and 12.0 % of the national software industry, respectively, from the previous year. Software business revenue in northeast China reached RMB 233.0 billion (USD 36.1 billion), accounting for 3.0% of the national software industry, an increase of 1.9% year-on-year.

Financial institutions/banking IT solutions refer to the software or IT related services provided by professional IT service providers who use their own experience and technology to meet each bank's needs in business development, strategic development, and management efficiency. The market share of China's Banking IT Solution Industry from 2010 are shown as below:



Data Source: IDC data

According to IDC's 2020 China Banking IT Solution Market Share report, the banking industry's market demand for IT solutions will show a relatively stable development trend. In the first half of 2020, the bank's IT solution procurement and project advancement were delayed due to the impact of the epidemic, but in the second half of the year, the demand for related orders showed a significant upward trend, and the digital transformation continued to advance.

In 2020, the overall market size of China's banking IT solution market reached RMB 50.24 billion (USD 7.78 billion), an increase of 18.0% over 2019. IDC forecasts that the market will grow at a CAGR of 14.64% from 2021 to 2025. IDC predicts that by 2025, the IT solution market for China's banking industry will reach RMB 118.56 billion (USD 18.36 billion).

IDC research found that the overall banking IT solution market presents the following characteristics:

- Distributed core upgrades and peripheral system upgrades are still key areas invested by major banks. The market scale of banks in China's core business system will continue to grow steadily in the next five years, and will show a rapid growth trend in the next two years. The current main driving factor comes from the downward construction of the mainframe in the distributed transformation; at the same time, the credit operating system enters an update iteration. During the window period, the demand for the centralization and reconstruction of credit system has increased along with the architecture of distributed core system.
- Increased investment in data capacity building to achieve refined operation and management of various businesses. Big data, artificial intelligence, blockchain and other technologies will be used to empower marketing, customer acquisition and risk control capabilities, improve the level of data management and analysis and utilization, and accelerate the construction of various business capabilities such as retail transformation and transaction banking.
- As an opportunity for banks to expand, ecological scene construction is valued. Especially under the impact of the pandemic, the demand for the construction of ecological scenes serving online channels has been improved, and banks are actively exploring more innovative service models to improve the level of open services.

Our primary focus is in the following key operational areas:

### ***Banking***

Providing professional IT consulting and solutions for the banking industry is one of the traditional competitive advantages of CLPS. With more than 15 years of experience in helping leading global banks to implement banking systems, CLPS is committed to innovating and optimizing traditional banking system by utilizing cutting-edge fintech technology to enable institutions embrace banking.

CLPS has formed strategic partnerships with several global financial MNCs to provide banking IT services, help leading global banks to implement banking system and to enable them to test and enhance multiple functions such as loans, saving, deposit, general ledger, account management, anti-money-laundering, risk control and credit card system. Whether traditional or online banking, CLPS has a wide array of business modules at its disposal.

CLPS has a deep understanding of the market supply and demand buoyed by its more than a decade experience in traditional banking business. CLPS provides IT services in the banking industry, including but not limited to bank channel services such as mobile banking and online banking; business services such as marketing and risk control, among others; management services such as customer relationship management, business intelligence, and information security management, to name a few.

By integrating its internal resources, CLPS has been able to continue to invest and develop series of R&D products, including credit card system, integrated transaction acquiring platform, reward points terminal, and virtual bank training platform, among others. These products have achieved positive feedback from the market.

For the year ended June 30, 2021, revenues from our banking area were approximately \$60.0 million compared to \$44.5 million for the year ended June 30,2020. Revenues from our banking area accounted for 47.6% and 49.8% of our total revenues in fiscal 2021 and 2020 respectively.

Significant portion of our services caters the banking clients.

### ***Credit Card Area***

Most of the global credit card issuers maintain branches and supporting technical infrastructure in China. The development, testing, support and maintenance of these platforms require in-depth understanding and knowledge of business processes supported by IT. There is a significant demand for such IT consulting services among large-scale credit card platforms because many of such institutions experience shortage of qualified personnel and resources. We offer more than ten years of experience in IT consulting services across key credit card business areas, including credit card applications, account setup, authorization and activation, settlement, collection, promotion, point system, anti-fraud, statement, reporting and risk management. In the past years, we have successfully helped our China and global clients manage their credit card IT systems such as VisionPLUS. We offer expertise in customizing these credit card tools and platforms to suit a variety of business models. Our highly experienced team possesses the requisite expertise in providing service in the credit card area. The IT consulting professional teams provides service in the credit card area from Shanghai, Dalian and Hong Kong. We offer this experience and expertise in various currencies, across different geographical regions, including, but not limited to China, Singapore, UK, the Philippines, Indonesia, and Latin America. In addition, we have developed a series of credit card solutions in order to meet the needs of our clients better.

For the year ended June 30, 2021, revenues from our credit card area were approximately \$11.2 million compared to \$9.5 million for the year ended June 30,2020. Revenues from our credit card area accounted for 18.7% and 21.3% of our banking revenues in fiscal 2021 and 2020 respectively.

### *Core Banking Area*

We are one of China's largest core banking system services providers for global banks. Most global banks establish their IT development centers and gradually expand their business in China. Those banks require significant core banking IT services. We offer more than ten years of experience in providing leading global banks with the support and expertise needed to implement their core banking system, including business analysis, system design, development, testing services, system maintenance, and global operation support. We provide services across multiple functions including loans, deposit, general ledger, wealth management, debit card, anti-money-laundering, statement and reporting, and risk management. We also provide architecture consulting services for core banking systems and online and mobile banking. We successfully transformed the centralized core banking system for one of our US-based clients to a service-oriented architecture and integrated it into a global unified version, which successfully satisfied its business needs in various markets. In addition, we engage the cloud-native solution of core banking system with micro services architecture, which can serve both Chinese and global banks to meet the ever-changing demands of the market with high flexibility, high scalability, high reliability and multichannel connectivity.

For the year ended June 30, 2021, revenues from our core banking area were approximately \$48.8 million compared to \$35.0 million for the year ended June 30, 2020.

### ***Wealth Management***

In this annual report, "wealth management" refers to the segments of financial industry except banking, including but not limited to investment banking, funds, insurance, securities, futures, clearing, consumer financing, online financing, and supply chain financing. CLPS has in-depth industry knowledge and solutions in the field of wealth management, and constantly develops and innovates according to the needs of clients.

In the past years, we have successfully developed and managed a variety of IT systems for Chinese and global clients, including the development of asset management system, core insurance system, pension system for well-known international investment bank, large international insurance group, and leading asset management corporation. We also provided development, operation, and maintenance for data analysis and business management systems of China's national financial information platform, China's national clearing house, stock exchange, and several large security institutions in China. In addition, we have developed mobile terminal for multiple comprehensive financial service providers and consumer finance platforms both in China and globally.

For the year ended June 30, 2021, revenues from our wealth management area were approximately \$25.2million compared to \$19.2 million for the year ended June 30,2020. Revenues from our wealth management area accounted for 20.0% and 21.5% of our total revenues in fiscal 2021 and 2020 respectively.

### ***E-Commerce***

By constantly improving our capabilities, we have gradually extended our main service offerings from banking and financial institutions to e-Commerce industry. We have rapidly developed and accumulated certain skills in online platforms, cross-border e-commerce, logistics, and back-end technology such as big data analysis, and intelligent decision-making among others. In the past years, we have successfully provided IT system development delivery for domestic and international clients, including a global online trading project for a top US e-Commerce company. We have also developed the global terminal, payment, and risk control system for a well-known online ticketing website. In addition, CLPS has developed the website and product market data analysis for a leading and international travel e-commerce platform, and the e-Commerce platform for a large investment holding group in China.

For the year ended June 30, 2021, revenues from our e-Commerce area were approximately \$19.2 million compared to \$11.1 million for the year ended June 30, 2020. Revenues from our e-Commerce area accounted for 15.2% and 12.4% of our total revenues in fiscal 2021 and 2020, respectively.

### ***Automotive***

With the extensive experience of CLPS in the IT services application in the financial and e-commerce industries, and its innovative implementation of cutting-edge technology such as big data, artificial intelligence and robotic process automation (RPA), it has also extended its business to automotive industry.

There is a high demand of intelligent technology application in automobile industry in the recent years. Aside from providing internal management system development for several international automobile enterprises, we also get deeply involved in the development of autonomous driving, automatic control, and other AI-driven technology projects with several major clients. This includes the development of a new-energy vehicle intelligent platform for a large automotive group company in China and a car's multimedia software for a Chinese automotive information system company. Moreover, we also provide development of internet auto finance platform for several Chinese enterprises.

For the year ended June 30, 2021, revenues from our automotive area were approximately \$8.5 million compared to \$3.6 million for the year ended June 30, 2020. Revenues from our automotive area accounted for 6.7% and 4.1% of our total revenues in fiscal 2021 and 2020 respectively.

Our business scope in terms of services:

### ***Consulting Services***

Revenues from consulting services are recognized from time-and-expense basis contracts as the related services are rendered assuming all other basic revenue recognition criteria are met. Under time-and-expense basis contracts, the Company is reimbursed for actual hours incurred at pre-agreed negotiated hourly billing rates. Clients may terminate the contracts at any time before the work is completed but are obligated to pay the actual service hours incurred through the termination date at the contract billing rate.

We provide consulting services to our clients in the banking, wealth management, e-commerce, and automotive industries, among others.

For the years ended June 30, 2021 and 2020, revenues from our IT consulting services were approximately USD 122.3 million and USD 87.1 million, respectively. Revenues from our IT consulting services accounted for 97.0% and 97.5% of our total revenues in fiscal 2021 and 2020, respectively.

## **Solution Services**

Revenues from fixed-price customized solution contracts require the Company to perform services for systems design, planning and integrating based on customers' specific needs which requires significant production and customization. The required customization work period is generally less than one year. Upon delivery of the services, customer acceptance is generally required. In the same contract, the Company is generally required to provide post-contract customer support ("PCS") for a period from three months to one year ("PCS period") after the customized application is delivered. The type of service for PCS clause is generally not specified in the contract or stand-ready service on when-and-if-available basis.

CLPS provides customized solution services to our clients in the banking, wealth management, e-commerce, and automotive industries, among others.

We are also an IT solution services provider in China and globally. We offer our clients over a decade of experience providing Chinese and global financial institutions with business and technological know-how including cloud computing and big data. We have accumulated an in-depth knowledge base that enables us to provide end-to-end customized solutions for our clients. The performance from our R&D center supports our ability to offer our clients creative solution design, especially in the areas of new information technology such as blockchain.

We offer software project development, maintenance and testing solution services, including COBOL, Java, .NET, Mobile and other technology applications. Specifically, we assist our clients in three aspects: (i) adopting and applying the most suitable technologies to ensure that software solutions are designed with information security and intellectual property rights protection in mind, (ii) building and managing a dedicated or leveraged software development, maintenance and testing quality, and efficiency testing, and (iii) providing onshore and offshore IT solution services to ensure turn-key delivery.

We have been working with a number of Chinese domestic banks to assist them in leveraging blockchain technology. Using this technology, a loyalty reward solution for the bank's customers was developed allowing domestic banks to track and trace transactions in real-time. It was recently implemented in Jiangnan Rural Commercial Bank. Also, the pilot phase of this solution was completed for Taicang Rural Commercial Bank.

We have also signed a blockchain-related contract with a leading university of finance and economics in Shanghai. The project utilizes blockchain technology in the university's online technical training platform for finance majors. In addition, this project also applies blockchain technology to the teaching management system for students. The management system offers an incentive mechanism that motivates students towards better study habits. This concept is similar to the loyalty reward programs offered in the financial industry. The project passed the testing conducted by the university on December 18, 2018.

The solution sets up a consortium chain platform using blockchain technology. When a bank or a merchant joins the consortium, it becomes a node of the consortium chain. This allows the bank's customers to manage and use their rewards among different banks and merchants, as well as share rewards among different customers. There are four layers in the overall architecture in this solution which includes the blockchain core layer, the blockchain SDK layer, the application system layer and the front-end layer. The consensus mechanism, P2P protocol, distributed ledger and storage mechanism of core layer are used to record transactions and prevent fraud. We will continue to develop our new IT solutions to meet the evolving needs of our Chinese and global financial institutional clientele drawing upon the forward-looking research of our R&D center.

For the years ended June 30, 2021 and 2020, revenues from our customized IT solution services were approximately USD 3.1 million and USD 1.8 million, respectively. Revenues from our customized IT solution services accounted for 2.5% and 2.1% of our total revenues in fiscal years 2021 and 2020, respectively.

## Other Services

### *CLPS Virtual Banking Platform (CLB)*

CLB is a unique and successful training platform for IT talents owned by CLPS. For more than ten years, we have been focusing on recruiting, training, developing and retaining human capital and talents. We have been developing and continuously upgrading our CLB to train specialized financial IT personnel in order to differentiate ourselves from general IT developers. CLB is one of the crucial components of our TCP. It contains a full set of banking application modules covering areas such as core banking, credit cards, and wealth management, incorporated with cutting-edge technologies, such as JAVA, Android & iOS, HTML, blockchain, cloud computing and big data.

### *Recruitment and Headhunting*

As per client's request, we are capable of providing the most suitable person for a position. The Company maintains more than 100 talent acquisition staff with rich industry background and knowledge. Our recruitment centers are well equipped of advanced technology, such as cloud platforms, big data, and robotic process automation (RPA), to accelerate the talent acquisition process. As a result, CLPS obtains qualified talent, reduce talent acquisition costs, meet the growing demands of talent from its existing and potential clients, and achieve meaningful growth.

### *Fee-For-Service Training*

Under the fee-for-service training, we incur charges for clients based on their training needs. Generally, it includes domain knowledge, technology skills, data security and management compliance training, soft skills for personnel; and English language skills including verbal and business correspondence for all level, especially for those who need to communicate with global customers directly on a daily basis. However, the training content and approach can be customized based on the client's training needs.

## Our Strategies

We have developed and intend to implement the following strategies to expand and grow the revenue, the number of employees, and the number of service locations of our Company:

- *Grow revenue with existing and new clients* — We intend to pursue additional revenue opportunities from existing Chinese and global clients, which include many of the leading companies in our financial industry. We will focus on continuing to deliver high quality services and solutions and identifying additional opportunities with existing clients as they will continue to constitute a significant portion of our revenues and medium-term growth. We will also continue to target certain new Chinese and global clients, using our comprehensive service and solution offerings, combined with increasingly deep domain expertise in finance industry. Furthermore, we will continue to invest in a delivery platform that benefits both Chinese and global clients, capturing synergies between the China and global markets to benefit both groups of clients.
- *Continue to invest in research and development, deepen domain expertise and develop specific solutions for target industry verticals* — We will continue to enhance our domain knowledge in the financial industry and relevant business-specific processes. As we grow our industry and service area expertise, we intend to leverage the domain knowledge accumulated in our work with our Chinese and global clients to more effectively address their business-specific needs. In addition, we plan to continue investing in R&D, focusing on developing solutions that leverage our industry experience and R&D capabilities, to combine proprietary applications with our services to best address client needs.
- *Continue to invest in training and development of our world-class human capital base* — We place a high priority on attracting, training, developing and retaining our human capital base to be increasingly competitive. Spearheaded by the CLPS Academy, we will continue to build our professional talent pool through our TCP and TDP" to ensure the sustainable supply of financial IT talent resources. These programs are the result of our collaboration with Shanda University and utilization of a technical curriculum and professional certifications developed and maintained by our Company. We will continue to develop our scalable human capital platform by implementing resource planning and staffing systems and by attracting, training and developing high-quality professionals to form CLPS's large talent pool in order to meet ever-changing clients' needs. We will build on and leverage existing training programs and leverage the CLPS Academy, which we intend to expand to other key cities and other industries, such as the insurance sector, to tap deeper into CLPS's talent pool. In addition to our dedicated training centers, we expect to open additional training centers overseas as we anticipate increasing demand for our services and solutions. We will continue to strengthen our collaboration with leading domestic universities to improve our on-campus recruiting results and help to better prepare graduates for work in our industry. Spearheaded by the CLPS Academy, the strength of our TCP/TDP program adds to our recognition in the industry by competitors and customers alike.

- *Drive efficiencies through ongoing improvements in operational excellence* — We strive to gain significant operating efficiencies by leveraging historical and ongoing investments in infrastructure, research and development and human capital. We operate our business on a single, integrated platform, with centralized functions which provide significant economies of scale across our business both domestically and globally, as well as cross service offerings. We also expect to continue investing in our own IT infrastructure and more advanced technologies, such as cloud computing, to allow us to enhance our scalability and continue to grow in a more cost-effective fashion. As part of expanding our scale, we intend to continue building up training centers tailored to our human capital needs to deploy human capital more efficiently, thereby improving overall resource utilization and productivity.
- *Capture new growth opportunities through strategic alliances and acquisitions* — We will continue to pursue selective alliances and acquisitions in order to enhance our industry-specific technology and service delivery capabilities by building on our track record of successfully acquiring and integrating targeted companies. We will continue to identify and assess opportunities to enhance our abilities to serve our clients. We will focus on enhancing our technology capabilities, deepening our penetration into key clients, expanding our portfolio of service offerings and expanding our operations geographically.
- *Continue to implement our global expansion strategy* — 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.

## **Our Competitive Strengths**

We believe that the principal competitive factors in our markets are industry expertise, breadth and depth of service offerings, quality of the services offered, strategic engagement with blue-chip clients, reputation and track record, marketing and selling skills, scalability of infrastructure and price.

We believe that there are several key strengths that differentiate us from our competitors and will continue to contribute to our growth and success.

### **1. Breadth and depth of digital transformation service offerings**

CLPS provides staffing-based consulting services, turn-key financial solutions, and implementation of advanced technologies, enabling clients to build new or enhance their existing systems. We are fully committed of providing digital transformation services with focused on financial and technology in the banking, wealth management, e-commerce, and automotive industries, among others, through the utilization of innovative technology to achieve our client's goals.

We are dedicated to providing a full range of services and solutions across technology needs in finance. We are able to provide both development and implementation of core banking, credit card, online and e-commerce systems, as well as expertise across technology stacks. More recently, we have tested and piloted leading edge technologies including cloud transitions, robotic process automation, big data and blockchain. We are also exploring applications in artificial intelligence.

### **2. Talent Creation Program and Talent Development Program**

Spearheaded by the CLPS Academy, we have established employee loyalty through the core engine of TCP and TDP programs both are integral parts of our supply chain which supports our service lines. Since 2008, our talent training services have offered training courses in five areas, including domain knowledge, technology skills, data security and management compliance training, soft skills for personnel; and English language skills including verbal and business correspondence for all level, especially for those who need to communicate with global customers directly on a daily basis. We believe that the depth and comprehensive nature of our talent training services are key features that distinguish us from our competitions. For more than ten years, the Company has been recruiting, training, developing and retaining human capital and talents. We have been developing and upgrading our CLPS Virtual Banking Platform (CLB) to train specialized financial IT professionals. CLB is one of the crucial components which enables our Talent Creation Program. It contains a full set of banking application modules covering areas such as core banking, credit cards and wealth management incorporated with cutting-edge technologies, such as JAVA, Android & iOS, HTML and big data. We select more than 200 students each year to participate in our training program. During their junior and senior years, the students learn to implement the concepts covered by our TCP platform along with their other computer science theory and coursework. Thereafter, the students join us as interns to continue improving their software development skills and will eventually become part of our development teams. As a result, graduates have an equivalent of nine months' worth of "on the job" training and experience. In 2017, we collaborated with Global Business College of Australia (GCBA) to set up a Financial Innovation Center (FIC) on its campus to offer our TCP training program to GCBA students with a specific interest in banking industry.

Our TDP program is a continuous internal training program for our skilled-professionals in order to serve our clients better. The TDP program increases our professionals' skillsets and business knowledge in their respective domain and technical fields. Our joint effort with Fudan University has established support to our senior staff to earn a financial-IT oriented master's degree in Software Engineering (MSE). Since 2005, through our TCP and TDP programs, we have trained and retained a large pool of specialized personnel skilled in serving financial-related industry clients.

As a result of our employee loyalty programs, we have established an ecosystem of loyal client relationships. Employee satisfaction and enhanced career development have resulted in better service to our clients. Client satisfaction in return motivates our employees to continue to provide excellent service to our clients. In addition to the above-mentioned benefits, our Company's strengths include the following:

- core competency particularly in banking and insurance industry;
- deep domain knowledge and solutions in financial industry verticals;
- strategic engagements with financial blue-chip clients most of whom have been with us since our inception;
- comprehensive service offerings including financial IT solutions & consulting as well as other services;
- experienced senior management team with proven track record of success.

### 3. Leading provider of human capital in the financial and technology industry

CLPS is a leading provider of IT professionals in the financial and technology industry, such in banking, wealth management, e-commerce, automotive, and others. We create, develop, and maintain a large pool of qualified and rich experienced talents, with bilingual or multilingual capability so support the client's communication need, which is vital for a business' success.

As of fiscal year 2021, CLPS maintained more than 3,352 employees, of which, more than 3,107 IT talents serve our customers. Among them, more than 97% work full-time for customers and the rest of the 3% work on project-based such as IT engineers, project managers, business analysts, among others, or are involved in research of innovative projects.

Our greatest edge in terms of human capital is our employees' English communication skills capability and are familiar with international financial business environment. In terms of our overall IT skills, we maintain even distribution and relatively adequate resources of talent pool with capabilities in Java, Cobol, quality control, and other cutting-edge technology such as data analysis.

#### **Customers**

Our clients include large corporations headquartered in China and globally which include, among others:

- *Banking or their China-based IT centers* — Citibank, Standard Chartered Bank (China) Ltd., ANZ Bank, and Bank of Communications.
- *Wealth Management* — AIA, China Life Insurance, First Data, Haitong Securities, and Orient Securities.
- *E-Commerce* — eBay, PayPal, Greendot Shanghai, Stubhub, and Gumtree.
- *Automotive and Technology* — SAIC Motors, Sony, Cisco, CRIF Information Technology, Experian, AGFA Healthcare, Neusoft, and Kodak.

By serving both Chinese and global clients on a common platform, we are able to leverage the shared resources, management, industry expertise and technology know-how to attract new business and remain cost competitive.

#### **Sales and Marketing**

We have invested in building a broad sales force and marketing team. As of June 30, 2021, our business development teams consisted of 33 full-time sales and marketing personnel, including 25 sales managers, each of whom is responsible for a designated sales region or client account. We plan to enhance our sales efforts by recruiting more sales personnel both domestically and overseas.

## Competition

The market for IT services is highly competitive and we expect competition to intensify. We believe that the principal competitive factors in our markets are industry expertise, breadth and depth of service offerings, quality of the services offered, reputation and track record, marketing skills and price. Domestically, we face competition from the following major competitors: Shenzhen Forms Syntron Information Co., Ltd., Sunline Tech, Amarsoft and CSII. These competitors are all domestic listed companies and possess a considerable market share in IT services industry. Shenzhen Forms Syntron Information Co., Ltd. is committed to provide professional IT service outsourcing and consulting for large domestic commercial banks. Sunline Tech, Amarsoft and CSII have the similar business model who are engaged in providing IT solutions and services mainly for domestic banks and other financial institutions. While compared with above competitors, as an IT solution and consulting services provider, we've been specializing in industry demands analysis and focusing on delivering services to global institutions in banking, insurance and financial sectors, both in China and globally. As one of the earliest companies engaging in Banking IT services in China, we have accumulated rich industrial experience and successful cases during more than 10 years of business development and our market share is gradually increased. With the interest marketization and rise of Internet Finance, banking industry market grows more competitive. Since Core Banking Business is occupying a key position in the overall banking IT services market, we will enhance our core market competence by taking advantage of our current technology; internationally, our competitors include Wipro, TCS Consultancy, and Infosys Limited. To date, we do not typically compete directly with the larger global consulting and outsourcing firms, such as Accenture, Capgemini, Hewlett-Packard and IBM, who are typically engaged in conjunction with large global projects. However, we may compete with these firms if they seek smaller engagements, particularly in conjunction with a strategy to enter the domestic Chinese market. In addition, the trend towards offshore outsourcing, international expansion by foreign and domestic competitors and continuing technological innovation will result in new and different competitors entering our markets. We believe that our delivery capabilities are competitive with companies such as these, and that our domestic China market experience and know-how provides us with a competitive advantage in serving our clients.

## Research and Development

Officially named the CLPS Innovation Lab ("CLPS i-Lab"), our R&D is an integral part of our continued growth. In order to serve our Chinese and global clients' needs better, we are fully committed on researching and developing cutting-edge technology including distributed application systems, cloud computing, micro services, open API, robotic process automation (RPA), blockchain, artificial intelligence, and big data, among other technologies, with a focus on continuous scientific and technological innovation to provide clients with more comprehensive and efficient IT services.

For instance, we applied the DevOps methodology and tools in our project delivery process and platform. This methodology has greatly enhanced the development, operational efficiency and project quality. We focus on blockchain, big data and cloud native applications. We have developed a loyalty reward solution based on a blockchain platform and implemented this solution with several China-based banks. With micro services architecture, we engage the cloud-native solution of core banking system, and have developed the first pilot business module to be tested on the client side. By utilizing big data technology, we research, develop and apply new features to existing credit scoring and anti-fraud solutions. We have invested a significant amount of capital in technology research and solution development. As a result, we have expanded our technological capabilities, improved efficiency of project delivery, and enhanced our solution offerings by improving existing solutions and inventing new solutions, which drive new revenue opportunities and improve our core competencies.

We upgraded our credit card system product, and it is currently in its pilot phase. Through the joint effort of CLPS Innovation Lab and Credit Card Service teams, the essential parts of the system will be migrated to the cloud platform. After the upgrade, the new product platform will leverage the advantages of cloud computing. Combined with the micro-service application, it paves the way to achieve dynamic horizontal and vertical expansions, resulting in improved performance, reliability, utilization of resources, and significantly reduced infrastructure costs. It also improves the display interface, gated launch and other features that enhance the user experience. In addition, the new product platform adopts the Open-API, or Application Program Interface, concept to provide ample APIs to facilitate the connection between channels, merchants and enterprises. The upgrade also includes an integrated monitoring platform that covers comprehensive monitoring and an early warning signal of basic settings and business transactions which allow clients to quickly locate and solve problems. The enterprise edition of this credit card system product is expected to be launched early next year.

In recent years, CLPS conducted extensive research and case studies to develop a comparable market-leading RPA solutions. After a series of internal implementation, the magnitude of the benefits brought about by successful automation of its daily operations has been directly proportional to the significant improvement in the manual processing issues. Such benefits include shortened processing time and simplified operations in key functions, including in financial, business, recruitment, administrative, and other management affairs. After CLPS successfully completed its RPA solutions, the same are offered to clients for customized services and maintenance. The RPA solutions have been introduced and implemented in various framework and projects of pharmaceutical and large state-owned enterprises, such as in financial accounting, credit investigation, procurement, logistics, and data migration. As a result of work process automation, the clients considerably improved operational efficiency with more accurate transaction results and reduced labor cost.

CLPS has been committed to promoting digital transformation integrated with secure, smooth, and efficient IT systems. The growing demand for customized and innovative marketing model has pushed CLPS to further enhance its digital marketing solution to achieve client's business goals prompted by improved marketing performance metrics.

Many enterprises have seen growing online customer activity and engagements as a result of the COVID-19 pandemic, creating a sense of urgency for digital transformation. Moving forward, enterprises are accelerating digital marketing as a strategy to address the requirements of the expected trends including digital touchpoint, customer acquisition across digital platform, and customized value proposition. CLPS's "technology+data" digital marketing solution which covers operation services through the utilization of marketing accounts, private online traffic, and media coverage, among others, serve as the major selling point for industry verticals such as in banking, wealth management, e-commerce, and automotive. By leveraging a user's data activity, it enables enterprises to reduce marketing costs while gaining more customers. It also improves a user's engagement and loyalty, which will contribute to sustainable sales growth. The latest digital marketing solution upgrade intends to provide CLPS's existing and potential client base across industries with diversified service portfolio.

We ran a successful internal pilot test of Robotic Process Automation (RPA), aiming to automate the in-house human resources department's business processes, which cover more than 2,000 employees. Instead of manual work, the RPA mimics human activity that streamlines the internal management system and improve efficiency.

We integrated the Company's successful applications of advanced technologies, such as cloud platforms, big data, and robotic process automation (RPA), to our recruitment centers, which enables the acceleration of talent acquisition process. As a result, CLPS will be able to obtain qualified talent, reduce talent acquisition costs, meet the growing demands of talent from its existing and potential clients, and achieve meaningful growth.

CLPS i-Lab adheres to our strategy of promoting our products and solutions based on new technology and new research, application innovations, and our leading talent pool, while improving our technological innovation capability and market competitiveness. As the center of our research and development efforts, it will continue to be one of the most important drivers of CLPS's growth.

## **Employees**

We believe resource management and planning is critically important to supporting our growth, and we are committed to effectively recruiting, training, developing and retaining our human capital. Our total number of employees has grown from 2,746 employees in fiscal 2020 to 3,352 employees as of June 30, 2021. Approximately 70% of our personnel are dedicated to serving our foreign financial institution clients. Such personnel maintain up to date financial domain knowledge, technical development and testing skills in Java, .Net, C, C++, testing tools, android or IOS app, blockchain, big data, cloud computing and mainframe COBOL. None of our employees are represented by a labor union or collective bargaining agreements. We consider our employee relations to be good. We believe that attracting and retaining highly experienced associates and sales and marketing personnel is a key to our success. In addition, we believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

## **Intellectual Property Rights**

The PRC has domestic laws for the protection of rights in copyrights, trademarks and trade secrets. The PRC is also a signatory to all of the world's major intellectual property conventions, including:

- Convention establishing the World Intellectual Property Organization (June 3, 1980);
- Paris Convention for the Protection of Industrial Property (March 19, 1985);
- Patent Cooperation Treaty (January 1, 1994); and
- Agreement on Trade-Related Aspects of Intellectual Property Rights (November 11, 2001).

The PRC Trademark Law, adopted in 1982 and revised in 2019, protects registered trademark. The Trademark Office of the State Administration of Industry and Commerce of the PRC, handles trademark registrations and grants trademark registrations for a term of ten years.

Our intellectual property rights are important to our business. We rely on a combination of trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We also rely on and protect unpatented proprietary expertise, recipes and formulations, continuing innovation and other trade secrets to develop and maintain our competitive position. We enter into confidentiality agreements with most of our employees and consultants, and control access to and distribution of our documentation and other licensed information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, or to develop similar technology independently. Since the Chinese legal system in general, and the intellectual property regime in particular, is relatively weak, it is often difficult to enforce intellectual property rights in China. Policing unauthorized use of our technology is difficult and the steps we take may not prevent misappropriation or infringement of our proprietary technology. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others, which could result in substantial costs and diversion of our resources and could have a material adverse effect on our business, results of operations and financial condition. We require our employees to enter into non-disclosure agreements to limit access to and distribution of our proprietary and confidential information. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf must be kept confidential. These agreements also provide that any confidential or proprietary information disclosed to third parties in the course of our business must be kept confidential by such third parties. In the event of trademark infringement, the State Administration for Industry and Commerce has the authority to fine the infringer and to confiscate or destroy the infringing products.

Our primary trademark portfolio consists of five trademarks. Our trademarks are valuable assets that reinforce the brand and our consumers' favorable perception of our products. The current registrations of these trademarks are effective for varying periods of time and may be renewed periodically, provided that we, as the registered owner, comply with all applicable renewal requirements including, where necessary, the continued use of the trademarks in connection with similar goods. In addition to trademark protection, we own 3 URL designations and domain names, including clps.com.cn, clpsglobal.com, and clpsgroup.com.cn.

We have registered for the following trademarks:

Mark	Country of Registration	Application Number	Class/Description	Current Owner	Status
	China	19288958	Class 9: Recorded computer programs (programs); Recorded computer operating programs Computer peripherals; Computer software (recorded); Connector (data processing equipment); Monitor program (computer program); Electronic publications (downloadable); Computer program (downloadable software); Downloadable computer application software; Computer hardware	ChinaLink Professional Services Co., Ltd.	Registered
	China	19289112	Class 38: Information transmission; Computer terminal communication; Computer-aided information and image transmission; Information transmission equipment rental; Provide telecommunications link services to connect with the global computer network; Telecommunications routing and junction services; Provide access service for global computer network users; Provide database access service; Digital file transfer Teleconference call service	ChinaLink Professional Services Co., Ltd.	Registered
	China	19289503	Class 9: Recorded computer programs (programs); Recorded computer operating programs; Computer peripherals; Computer software (recorded); Connector (data processing equipment); Monitor program (computer program); Electronic publications (downloadable); Computer program (downloadable software); Downloadable computer application software; Computer hardware	ChinaLink Professional Services Co., Ltd.	Registered
	China	19289341	Class 42: Technical research; Research or develop new products for others; Computer programming; Computer software design; Computer hardware design and development consulting; Computer software rental; Computer software maintenance; Computer system analysis; Computer software installation; Computer software consulting	ChinaLink Professional Services Co., Ltd.	Registered
	China	19289214	Class 41: Teaching; Education; Training; Practical training (demonstration); Employment guidance (education or training consultants); Arrange and organize academic seminars; Arrange and organize meetings; Arrange and organize general meeting; Arrange and organize symposium; Arrange and organize training classes	ChinaLink Professional Services Co., Ltd.	Registered

The following is a list of the Company's copyrights:

<b>Software Name</b>	<b>Country of Registration</b>	<b>Registration Number</b>	<b>Current Owner</b>	<b>Approval Date</b>	<b>Status</b>
CLPS HR Management Platform Software V1.0	China	2009SR015975	ChinaLink Professional Services Co., Ltd.	29 <sup>th</sup> April 2009	Registered
CLPS Food and Beverage Report Analysis and Management Platform Software V1.0	China	2009SR060110	ChinaLink Professional Services Co., Ltd.	28 <sup>th</sup> December 2009	Registered
CLPS Apparel Industry POS Management Platform Software V1.0	China	2009SR060102	ChinaLink Professional Services Co., Ltd.	28 <sup>th</sup> December 2009	Registered
CLPS Express Information Interactive Platform Software V1.0	China	2009SR060112	ChinaLink Professional Services Co., Ltd.	28 <sup>th</sup> December 2009	Registered
CLPS Chain Store Information Interactive Platform Software V1.0	China	2009SR060108	ChinaLink Professional Services Co., Ltd.	28 <sup>th</sup> December 2009	Registered
CLPS Project Analysis and Management Platform Software V1.0	China	2009SR060169	ChinaLink Professional Services Co., Ltd.	28 <sup>th</sup> December 2009	Registered
CLPS Payroll Accounting System Platform Software V1.0	China	2010SR043564	ChinaLink Professional Services Co., Ltd.	25 <sup>th</sup> August 2010	Registered
CLPS Fast Moving Consumer Goods Frontline Staff Management Platform Software V1.0	China	2010SR043561	ChinaLink Professional Services Co., Ltd.	25 <sup>th</sup> August 2010	Registered
CLPS Staff Management Platform Software V1.0	China	2010SR043562	ChinaLink Professional Services Co., Ltd.	25 <sup>th</sup> August 2010	Registered
CLPS Coal Mining Enterprise Information System Management Platform Software V1.0	China	2010SR045449	ChinaLink Professional Services Co., Ltd.	1 <sup>st</sup> September 2010	Registered
CLPS Campus Expense Card Web Service System Platform Software V1.0	China	2010SR045441	ChinaLink Professional Services Co., Ltd.	1 <sup>st</sup> September 2010	Registered
CLPS Campus Expense Card Bathroom Management Service Software V1.0	China	2010SR045444	ChinaLink Professional Services Co., Ltd.	1 <sup>st</sup> September 2010	Registered
CLPS Machinery Industry ERP Management Platform Software V1.0	China	2010SR045802	ChinaLink Professional Services Co., Ltd.	2 <sup>nd</sup> September 2010	Registered
CLPS Assignment and Task Management Platform Software (short name: Assignment and Task Management System) V1.0	China	2011SR076863	ChinaLink Professional Services Co., Ltd.	25 <sup>th</sup> October 2011	Registered
CLPS Marketing Assistant System Platform Software V1.0	China	2012SR096727	ChinaLink Professional Services Co., Ltd.	15 <sup>th</sup> October 2012	Registered
CLPS Outsourcing Service Staff Management System Platform Software V1.0	China	2012SR096666	ChinaLink Professional Services Co., Ltd.	15 <sup>th</sup> October 2012	Registered
CLPS Outsourcing Service Staff System Background Management Software V1.0	China	2012SR096731	ChinaLink Professional Services Co., Ltd.	15 <sup>th</sup> October 2012	Registered

<b>Software Name</b>	<b>Country of Registration</b>	<b>Registration Number</b>	<b>Current Owner</b>	<b>Approval Date</b>	<b>Status</b>
CLPS Logistics Terminal Distribution Platform Software V1.0	China	2012SR096668	ChinaLink Professional Services Co., Ltd.	15 <sup>th</sup> October 2012	Registered
CLPS HR Background Support Management System V1.0	China	2012SR098440	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> October 2012	Registered
CLPS HR Management System Platform Software (short name: HR Management System) V1.0	China	2012SR098429	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> October 2012	Registered
CLPS Outsourcing Service Staff Resume Entry System Platform Software V1.0	China	2012SR098687	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> October 2012	Registered
CLPS Bank Document Business Management Software (short name: Document Management) V1.0	China	2013SR054800	ChinaLink Professional Services Co., Ltd.	5 <sup>th</sup> June 2013	Registered
CLPS Bank Monetary Transaction Management Software (short name: Monetary Transaction Management) V1.0	China	2013SR054796	ChinaLink Professional Services Co., Ltd.	5 <sup>th</sup> June 2013	Registered
CLPS Bank Expense Management Software V1.0	China	2014SR168125	ChinaLink Professional Services Co., Ltd.	4 <sup>th</sup> November 2014	Registered
CLPS Bank Repayment Process Software V1.0	China	2014SR168130	ChinaLink Professional Services Co., Ltd.	4 <sup>th</sup> November 2014	Registered
CLPS Bank Point Accumulative Management Software V1.0	China	2014SR168132	ChinaLink Professional Services Co., Ltd.	4 <sup>th</sup> November 2014	Registered
CLPS Bank Interest Process Software V1.0	China	2014SR168136	ChinaLink Professional Services Co., Ltd.	4 <sup>th</sup> November 2014	Registered
CLPS Bank Credit Application Software V1.0	China	2014SR168138	ChinaLink Professional Services Co., Ltd.	4 <sup>th</sup> November 2014	Registered
CLPS Credit Card Risk Management Software V1.0	China	2015SR028695	ChinaLink Professional Services Co., Ltd.	10 <sup>th</sup> February 2015	Registered
CLPS Credit Card Account Establishment and Card Making Software V1.0	China	2015SR029015	ChinaLink Professional Services Co., Ltd.	10 <sup>th</sup> February 2015	Registered
CLPS Credit Card Customer Service Management Software V1.0	China	2015SR029012	ChinaLink Professional Services Co., Ltd.	10 <sup>th</sup> February 2015	Registered
CLPS Credit Card Cleaning Management Software V1.0	China	2015SR028884	ChinaLink Professional Services Co., Ltd.	10 <sup>th</sup> February 2015	Registered
CLPS Credit Card Authorization Management Software V1.0	China	2015SR028914	ChinaLink Professional Services Co., Ltd.	10 <sup>th</sup> February 2015	Registered
CLPS Mortgage Loan Plan Spreadsheet Tool Software (short name: Loan Spreadsheet) V1.0	China	2015SR198772	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Product Management Software V1.0	China	2015SR198610	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered

<b>Software Name</b>	<b>Country of Registration</b>	<b>Registration Number</b>	<b>Current Owner</b>	<b>Approval Date</b>	<b>Status</b>
CLPS Bank Deposit and Withdrawal Services Management Software V1.0	China	2015SR198176	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Loan Application Management Software V1.0	China	2015SR198654	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Repayment Management Software V1.0	China	2015SR198649	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Exchange Rate Management Software V1.0	China	2015SR198774	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Interest Settlement Software V1.0	China	2015SR198246	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Foreign Exchange Transaction Software V1.0	China	2015SR198240	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> October 2015	Registered
CLPS Bank Investment Management Securities Business Software V1.0	China	2016SR376924	ChinaLink Professional Services Co., Ltd.	16 <sup>th</sup> December 2016	Registered
CLPS Bank Big Data Decision-making Platform Customer Portrayal Software V1.0	China	2016SR382920	ChinaLink Professional Services Ca, Ltd.	20 <sup>th</sup> December 2016	Registered
CLPS Internet Financial Cloud Mobile Banking Software V2.0	China	2016SR398821	ChinaLink Professional Services Co., Ltd.	27 <sup>th</sup> December 2016	Registered
CLPS Wantong Calculus Mall Software V2.0	China	2017SR118507	CLPS Beijing Hengtong Co., Ltd.	17 <sup>th</sup> April 2017	Registered
CLPS RC Rules Engine Software	China	2017SR169307	CLPS Ruicheng Co., Ltd.	9 <sup>th</sup> May 2017	Registered
CLPS Internet Financing Collection Management Software V2.0	China	2017SR119266	CLPS Ruicheng Co., Ltd.	17 <sup>th</sup> April 2017	Registered
CLPS Points Management Platform Software	China	2017SR119078	CLPS Ruicheng Co., Ltd.	17 <sup>th</sup> April 2017	Registered
CLPS Full-web Order Receiving Unified Platform Management Software V2.0	China	2017SR202535	CLPS Ruicheng Co., Ltd.	24 <sup>th</sup> May 2017	Registered
CLPS Quanxi Intelligent Marketing Platform Clients Growth Center Software V2.0	China	2017SR565576	ChinaLink Professional Services Co., Ltd.	13 <sup>th</sup> October 2017	Registered
CLPS Enterprise Recruitment Intelligent Cooperation Platform Software V2.0	China	2017SR646712	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered
CLPS Intelligent Online Training Test Instructional Management Software V1.0	China	2017SR646507	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered
CLPS Enterprise Internet Qinqin Loan Background Management Software V1.0	China	2017SR647634	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered

<b>Software Name</b>	<b>Country of Registration</b>	<b>Registration Number</b>	<b>Current Owner</b>	<b>Approval Date</b>	<b>Status</b>
CLPS Blockchain Based Virtual Credits Background Management Software V2.0	China	2017SR645676	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered
CLPS Enterprise Talent Information Intelligent Management Software V2.0	China	2017SR645650	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered
CLPS Credit Card Big Data Integrated Management Background Software V2.0	China	2017SR645763	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered
CLPS Enterprise Recruitment Intelligent Cooperation Platform Software V2.0	China	2017SR647190	ChinaLink Professional Services Co., Ltd.	24 <sup>th</sup> November 2017	Registered
CLPS General Points Platform and Business Center Software V1.0	China	2019SR0004653	ChinaLink Professional Services Co., Ltd.	2 <sup>nd</sup> January 2019	Registered
CLPS Online Financial Microloan Software V1.0	China	2019SR0004669	ChinaLink Professional Services Co., Ltd.	2 <sup>nd</sup> January 2019	Registered
CLPS Bank Customer Management Software V1.0	China	2019SR0004663	ChinaLink Professional Services Co., Ltd.	2 <sup>nd</sup> January 2019	Registered
CLPS Online Financial Management Software V1.0	China	2019SR0140935	ChinaLink Professional Services Co., Ltd.	14 <sup>th</sup> February 2019	Registered
CLPS Talent Training One-Stop Platform Software V1.0	China	2020SR0094641	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> January 2020	Registered
CLPS Project Management Software [PMS]V2.0	China	2020SR0095716	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> January 2020	Registered
CLPS Online Financial Management Software V2.0	China	2020SR0095716	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> January 2020	Registered
CLPS Online Financial Microloan Software V3.0	China	2020SR0094745	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> January 2020	Registered
CLPS Bank Customer Management Software V3.0	China	2020SR0095318	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> January 2020	Registered
CLPS Online Financial Accounting Management Software V1.0	China	2020SR0095725	ChinaLink Professional Services Co., Ltd.	19 <sup>th</sup> January 2020	Registered

<b>Software Name</b>	<b>Country of Registration</b>	<b>Registration Number</b>	<b>Current Owner</b>	<b>Approval Date</b>	<b>Status</b>
CLPS Blockchain Based Virtual Credits Background Management Software V3.0	China	2020SR0224622	CLPS Guangzhou Co., Ltd.	9 <sup>th</sup> March 2020	Registered
CLPS Enterprise Recruitment Intelligent Cooperation Platform Software V3.0	China	2020SR0224616	CLPS Guangzhou Co., Ltd.	9 <sup>th</sup> March 2020	Registered
CLPS Enterprise Talent Information Intelligent Management Software (“ERP System”) V3.0	China	2020SR0224243	CLPS Guangzhou Co., Ltd.	9 <sup>th</sup> March 2020	Registered
CLPS Ruicheng ERP-TRMS Software (“ERP-TRMS”) V1.0	China	2020SR1691822	CLPS Ruicheng Co., Ltd.	30 <sup>th</sup> November 2020	Registered
CLPS Ruicheng BPM Organizational Structure and Process Approval Software (“BPM”) V1.0	China	2020SR1691823	CLPS Ruicheng Co., Ltd.	30 <sup>th</sup> November 2020	Registered
CLPS Ruicheng Timesheet CLPS Management Software(“Timesheet”) V2.0	China	2020SR1691884	CLPS Ruicheng Co., Ltd.	30 <sup>th</sup> November 2020	Registered
CLPS Ruicheng WeChat Based Timesheet Management Software (“Timesheet”) V1.0	China	2020SR1691802	CLPS Ruicheng Co., Ltd.	30 <sup>th</sup> November 2020	Registered
JAJI China EKYC Based Mobile Banking Software(“Mobile Banking”) V1.0	China	2020SR1692693	JAJI (Shanghai) Co., Ltd.	30 <sup>th</sup> November 2020	Registered
CLPS Project Management Software(“PMS”) V3.0	China	2021SR0113240	ChinaLink Professional Services Co., Ltd.	21 <sup>st</sup> January 2021	Registered
CLPS Credit Card Comprehensive Information Platform Software(“ChinaLinkV”) V2.1.1	China	2021SR0113286	ChinaLink Professional Services Co., Ltd.	21 <sup>st</sup> January 2021	Registered
CLPS Meeting Room Reservation Management Software(“Meeting”) V1,0	China	2021SR0113234	ChinaLink Professional Services Co., Ltd.	21 <sup>st</sup> January 2021	Registered
CLPS BPM Organizational Structure and Process Approval Software(“BPM”) V2.0	China	2021SR0216840	ChinaLink Professional Services Co., Ltd.	7 <sup>th</sup> February 2021	Registered
CLPS EKYC Based Mobile Banking Software (“Mobile Banking”) V2.0	China	2021SR0216890	ChinaLink Professional Services Co., Ltd.	7 <sup>th</sup> February 2021	Registered
Hainan Qincheng BPM Organization Structure and Process Approval Software(“BPM”) V2.0	China	2021SR783928	Hainan Qincheng Software Technology Co., Ltd.	27 <sup>th</sup> May 2021	Registered
Hainan Qincheng ERP-TRMS Software(“ERP-TRMS”) V2.0	China	2021SR0783904	Hainan Qincheng Software Technology Co., Ltd.	27 <sup>th</sup> May 2021	Registered
Hainan Qincheng Timesheet Management Software(“Timesheet”) V3.0	China	2021SR0783929	Hainan Qincheng Software Technology Co., Ltd.	27 <sup>th</sup> May 2021	Registered
Hainan Qincheng WeChat Based Timesheet Management Software (“Timesheet”) V2.0	China	2021SR0783905	Hainan Qincheng Software Technology Co., Ltd.	27 <sup>th</sup> May 2021	Registered

## Properties

On March 2021, we relocated our principal executive office to Unit 1102, 11th Floor, Millennium City III, 370 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong SAR from Unit 702, 7th Floor, Millennium City II, 378 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong SAR. We leased the premise and the lease term has expired on May 5, 2021. On June 7, 2021, CLPS, through its wholly-owned subsidiary, entered into an agreement to acquire the real property for a consideration of US\$3,860,000, which has been and will continue to be used as the Company's principal executive office.

In addition, the Company manages and operates several other facilities. We rent office space in Shanghai, Tianjin, Shenzhen, Guangzhou, Dalian, Xi'an, Chengdu, Beijing, Baoding, Hainan, Singapore, Hong Kong, Japan, India, and the U.S. Rent expenses amounted to \$942,606, \$944,645, and \$827,593 for the years ended June 30, 2021, 2020 and 2019, respectively. We believe our facilities are adequate for our current needs.

Facility	Address	Space (m2)
Shanghai Office	2 <sup>nd</sup> Floor, Building 18, Shanghai Pudong Software Park, 498 Guoshoujing Road, Pudong District, Shanghai, PRC	1,259.94
Shanghai Office	1 <sup>st</sup> Floor, Building 18, Shanghai Pudong Software Park, 498 Guoshoujing Road, Pudong District, Shanghai, PRC	914.62
Dalian Office	Room 01-03, 1/F, 1 Huixian Garden, New & High-tech Industrial Park, Dalian, Liaoning Province, PRC	917.11
Dalian Office	Room 02-02/04, 2/F, 1 Huixian Garden, New & High-tech Industrial Park, Dalian, Liaoning Province, PRC	933.25
Tianjin Office	Room 5601-8, F6, Building No.5, Xinhuan West Road, TEDA, Tianjin, PRC	56.07
Shenzhen Office	Room 516, 5 / F, Oriental Plaza, 1072 Jianshe Road, Luohu District, Shenzhen, PRC	63
Guangzhou Office	Room 409-411, Tower B, China Shine Plaza, No. 9 Linhe Xi Road, Tianhe District, Guangzhou, Guangdong, PRC	331.16
Xi'an Office	Room 707, West Building of Kehuicheng, Xingjiapo Tengfei, 88 Tiangu 7th Road, Xi 'an High-Tech Zone, Xian, PRC	243.52
Chengdu Office	Unit 10, 29/Floor, Tower 2, 88 Jitai 5 <sup>th</sup> Road, Gaoxin District, Chengdu, Sichuan District, PRC	59.74
Beijing Office	Room 1329-1332, 13 <sup>th</sup> Floor, Building 2, Yard 26, Chengtong Road, Shijingshan District, Beijing, PRC	222.88
Baoding Office	Room 701, 7th Floor, Building A, Zhongguancun Innovation Center, 1799 North Chaoyang Street, Baoding, PRC	67
Singapore Office	10 UBI Crescent, #03-29, UBI Techpark, Singapore, 408564	84
Singapore Office	141 Cecil Street, #06-07, Tung Ann Association Building, Singapore, 069541	27.87
Hong Kong Office	Unit 1102, Level 11, Millennium City III, 370 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	210.15
Japan Office	4F 1-36-3 Nihonbashi-Kakigara-cho, Chuo-ku, Tokyo, Japan, 103-0014	40.17
India Office	Unit No. 222, DLF Cybercity, Idco Info Park, Technology Corridor, Chandaka Industrial Estate, Bhubaneswar, Odisha, India, 751024	113.85
US Office	1460 Mission Street, San Francisco, CA 94103	6
Hainan Office	Room B1013, Binhai Avenue, 109-9 Haihang Plaza, Hainan, PRC	63.62
Hangzhou Office	Room 6032, 6 / F, building 6, No. 970-1, Gaojiao Road, Wuchang Street, Yuhang District, Hangzhou	16.2

## **Legal Proceedings**

We are currently not involved in any legal proceedings; nor are we aware of any claims that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

## **Government Regulation**

### *Regulations Relating to PRC Information Technology Service Industry*

According to the Catalogue of Industries for Encouraging Foreign Investment (2020) issued by the National Development and Reform Commission and the Ministry of Commerce, IT services fall into the category of industries in which foreign investment is encouraged. The State Council has promulgated several notices since 2000 to launch favorable policies for IT services, such as preferential tax treatments and credit support.

Under rules and regulations promulgated by various Chinese government agencies, enterprises that have met specified criteria and are recognized as software enterprises by the relevant government authorities in China are entitled to preferential treatment, including financing support, preferential tax rates, export incentives, discretion and flexibility in determining employees' welfare benefits and remuneration. Software enterprise qualifications are subject to annual examination. Enterprises that fail to meet the annual examination standards will lose the favorable enterprise income tax treatment. Enterprises exporting software or producing software products that are registered with the relevant government authorities are also entitled to preferential treatment including governmental financial support, preferential import, export policies and preferential tax rates.

In 2009, the Ministry of Commerce and the Ministry of Industry and Information Technology jointly promulgated a rule aiming to protect a fair competition environment in the PRC service outsourcing industry. This rule requires that each of the domestic enterprises which provides IT and technological BPO services and each of its shareholders, directors, supervisors, managers and employees should not violate the service outsourcing contract to disclose, use or allow others to use the confidential information of its client. Such enterprises are also required to establish an information protection system and take various measures to protect clients' confidential information, including causing their employees and third parties who have access to clients' confidential information to sign confidentiality agreements and or non-competition agreements.

### *Regulations on Intellectual Property Rights*

The PRC Copyright Law, as amended, together with various regulations and rules promulgated by the State Council and the National Copyright Administration, protect software copyright in China. These laws and regulations establish a voluntary registration system for software copyrights administered by the Copyright Protection Center of China. Unlike patent and trademark registration, copyrighted software does not require registration for protection. Although such registration is not mandatory under PRC law, software copyright owners are encouraged to go through the registration process and registered software may receive better protection. The PRC Trademark Law, as amended, together with its implementation rules, protect registered trademarks. The Trademark Office of the State Administration for Industry and Commerce handles trademark registrations and grants a renewable protection term of 10 years to registered trademarks.

## *Regulation of Foreign Currency Exchange and Dividend Distribution*

Foreign Currency Exchange. The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (1996), as amended on August 5, 2008, the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996) and the Interim Measures on Administration on Foreign Debts (2003). Under these regulations, Renminbi are freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for most capital account items, such as direct investment, loans, repatriation of investment and investment in securities outside China, unless the prior approval of SAFE or its local counterparts is obtained. In addition, any loans to an operating subsidiary in China that is a foreign invested enterprise, cannot, in the aggregate, exceed the difference between its respective approved total investment amount and its respective approved registered capital amount. Furthermore, any foreign loan must be registered with SAFE or its local counterparts for the loan to be effective. Any increase in the amount of the total investment and registered capital must be approved by the PRC Ministry of Commerce or its local counterpart. We may not be able to obtain these government approvals or registrations on a timely basis, if at all, which could result in a delay in the process of making these loans.

The dividends paid by the subsidiary to its shareholder are deemed shareholder income and are taxable in China. Pursuant to the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), foreign-invested enterprises in China may purchase or remit foreign exchange, subject to a cap approved by SAFE, for settlement of current account transactions without the approval of SAFE. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities.

Dividend Distribution. The principal regulations governing the distribution of dividends by foreign holding companies include the Company Law of the PRC (1993), as amended in 2018, the Foreign Investment Law of the People's Republic of China (2020), and the Implementing Regulations of the Foreign Investment Law of the People's Republic of China (2020).

Under these regulations, wholly foreign-owned investment enterprises in China may pay dividends only out of their retained profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned investment enterprises in China are required to allocate at least 10% of their respective retained profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends, and a wholly foreign-owned enterprise is not permitted to distribute any profits until losses from prior fiscal years have been offset.

Circular 37. On July 4, 2014, SAFE issued Circular 37, which became effective as of July 4, 2014. According to Circular 37, PRC residents shall apply to SAFE and its branches for going through the procedures for foreign exchange registration of overseas investments before contributing the domestic assets or interests to a SPV. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required if the registered overseas SPV's basic information such as domestic individual resident shareholder, name, operating period, or major events such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has changed. Although the change of overseas funds raised by overseas SPV, overseas investment exercised by overseas SPV and non-cross-border capital flow are not included in Circular 37, we may be required to make foreign exchange registration if required by SAFE and its branches. Moreover, Circular 37 applies retroactively. As a result, PRC residents who have contributed domestic assets or interests to a SPV, but failed to complete foreign exchange registration of overseas investments as required prior to implementation of Circular 37, are required to send a letter to SAFE and its branches for explanation. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 37 may result in receiving a warning from SAFE and its branches, and may result in a fine of up to RMB 300,000 for an organization or up to RMB 50,000 for an individual. In the event of failing to register, if capital outflow occurred, a fine up to 30% of the illegal amount may be assessed. PRC residents who control our company are required to register with SAFE in connection with their investments in us. If we use our equity interest to purchase the assets or equity interest of a PRC company owned by PRC residents in the future, such PRC residents will be subject to the registration procedures described in Circular 37.

### *New M&A Regulations and Overseas Listings*

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Rule, which became effective on September 8, 2006 and was amended on June 22, 2009. This New M&A Rule, among other things, includes provisions that purport to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On September 21, 2006, CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process. The application of this new PRC regulation remains unclear with no consensus currently existing among leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

Our PRC counsel has advised us that, based on their understanding of the current PRC laws and regulations, that the corporate structure of the Group Companies shall not be deemed as "a foreign investor's merger and acquisition of a domestic enterprise" as specified in the Article 2 of the New M&A Rule, so the Company is not required to obtain approval from the CSRC for listing and trading of its shares. However, uncertainties still exist as to how the New M&A Rule will be interpreted and implemented and our opinion stated above is subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the New M&A Rule.

### *Regulations on Offshore Parent Holding Companies' Direct Investment in and Loans to Their PRC Subsidiaries*

An offshore company may invest equity in a PRC company, which will become the PRC subsidiary of the offshore holding company after investment. Such equity investment is subject to a series of laws and regulations generally applicable to any foreign-invested enterprise in China, which include the Foreign Investment Law of the People's Republic of China (2020) all as amended from time to time, and their respective implementing rules; the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors; and the Notice of the State Administration on Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment. Under the aforesaid laws and regulations, the increase of the registered capital of a foreign-invested enterprise is subject to the prior approval by the original approval authority of its establishment. In addition, the increase of registered capital and total investment amount shall both be registered with SAIC and SAFE. Shareholder loans made by offshore parent holding companies to their PRC subsidiaries are regarded as foreign debts in China for regulatory purpose, which is subject to a number of PRC laws and regulations, including the PRC Foreign Exchange Administration Regulations, the Interim Measures on Administration on Foreign Debts, the Tentative Provisions on the Statistics Monitoring of Foreign Debts and its implementation rules, and the Administration Rules on the Settlement, Sale and Payment of Foreign Exchange. Under these regulations, the shareholder loans made by offshore parent holding companies to their PRC subsidiaries shall be registered with SAFE. Furthermore, the total amount of foreign debts that can be borrowed by such PRC subsidiaries, including any shareholder loans, shall not exceed the difference between the total investment amount and the registered capital amount of the PRC subsidiaries, both of which are subject to the governmental approval.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS****Overview**

We are a global information technology (“IT”), consulting and solutions service provider focused on delivering services to global institutions in banking, insurance and financial sectors, both in China and globally. For more than ten years, we have served as an IT solutions provider to a growing network of clients in the global financial industry, including large financial institutions from the US, Europe, Australia, Southeast Asia, and Hong Kong, and their PRC-based IT centers. We have created and developed a particular market niche by providing turn-key financial solutions. Since our inception, we have aimed to build one of the largest sales and service delivery platforms for IT services and solutions in China. We are fully committed of providing digital transformation services with focused on financial and technology in the banking, wealth management, e-commerce, and automotive industries, among others, through the utilization of innovative technology to achieve our client’s goals. We maintain nineteen delivery and/or R&D centers, of which eleven are located in Mainland China (Shanghai, Beijing, Dalian, Tianjin, Baoding, Xi’an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan) and eight are located globally (Hong Kong SAR, the United States of America, the Philippines, Japan, Singapore, Malaysia, Australia, and India.) By combining onsite or onshore support and consulting with scalable and high-efficiency offsite or offshore services and processing, we are able to meet client demands in a cost-effective manner while retaining significant operational flexibility. We believe that maintaining our Company as a proven, reliable partner to our financial industry clients both in China and globally positions us well to capture greater opportunities in the rapidly evolving global market for IT consulting and solutions.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”) and pursuant to the rules and requirements of the Securities Exchange Commission (“SEC”). The accompanying consolidated financial statements include the financial statements of CLPS and its consolidated subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Results of subsidiaries and businesses acquired from third parties are consolidated from the date on which control is transferred to us.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Annual Report.*

### Overview of Company

CLPS Incorporation ("CLPS" or the "Company"), is a company that was established under the laws of the Cayman Islands on May 11, 2017 as a holding company. The Company, through its subsidiaries, designs, builds, and delivers IT services, solutions and other services to clients in the financial services industry. The Company customizes its services to specific industries with customer service teams typically based on-site at the customer locations. The Company's solutions enable its clients to meet the changing demands of an increasingly global, internet-driven, and competitive marketplace. Mr. Xiao Feng Yang, the Company's Chairman of the Board, together with Mr. Raymond Ming Hui Lin, the Company's Chief Executive Officer and Director are the controlling shareholders of the Company (the "Controlling Shareholders").

On August 15, 2018, the shareholders of CLPS SG and CLPS-Ridik AU were changed to Qiner from CLPS Shanghai pursuant to the share purchase agreements. Qiner purchased the 100% equity interest of CLPS SG and CLPS-Ridik AU from CLPS Shanghai for consideration of \$0.6 million (or approximately 850,000 Singapore dollars) and \$0.1 million (or approximately 200,000 Australian dollars), respectively. These transactions did not change the holding company's ownership of these entities.

On August 20, 2018, CLPS SG acquired an 80% interest in Infogain Solutions PTE. Ltd. ("Infogain") located in Singapore from Sharma Devendra Prasad and Deepak Malhotra with the final purchase price of \$0.4 million (or approximately 576,000 Singapore dollars).

On April 3, 2019, Qiner purchased a 30% equity interest in Economic Modeling Information Technology Co., Ltd. ("EMIT"). The consideration is zero amount. Qiner subsequently made a capital contribution of \$0.44 million (RMB 3 million) to EMIT directly. There is remaining capital contribution of \$0.23 million not paid as of June 30, 2021.

On July 31, 2019, the Company incorporated CLPS Hangzhou Co., Ltd. (“CLPS Hangzhou”), to develop the business in related areas.

On September 13, 2019, the Company incorporated CLPS Technology Japan (“CLPS Japan”) to develop business in related areas.

On September 26, 2019, Qiner acquired an 80% interest in Ridik Pte. Ltd. (“Ridik Pte.”) located in Singapore from Srustijet Mishra and Routray Sibashis with the final purchase price of \$2,462,580 (3,402,304 Singapore dollars), in the form of cash of \$2,026,043 (2,799,180 Singapore dollars) and the Company’s common shares valued at \$436,537 (603,123 Singapore dollars), respectively. Ridik Sdn. Bhd. (“Ridik Sdn.”), Ridik Software Solutions Pte. Ltd. (“Ridik Software Pte.”), Ridik Software Solutions Ltd. (“Ridik Software”), and Suzhou Ridik Information Technology Co., Ltd. (“Suzhou Ridik”) are all subsidiaries of Ridik Pte. Suzhou Ridik was liquidated on April 16, 2021. Ridik Software was dissolved on May 11, 2021.

Prior to December 2019, CLPS Shanghai held a 70% equity interest in CLPS Shenzhen and an 80% equity interest in CLPS Hong Kong, which held the remaining 30% equity interest in CLPS Shenzhen. And the remaining 20% equity interest in CLPS Hong Kong and remaining 6% equity interest in CLPS Shenzhen were recorded as a noncontrolling interests on the Company’s consolidated balance sheet. On December 9, 2019, Qiner acquired the remaining 20% equity interest in CLPS Hong Kong from noncontrolling shareholder with the consideration of the Company’s 100,000 common shares, and became the sole shareholder of CLPS Hong Kong and CLPS Shenzhen.

On December 31, 2019, the Company incorporated Qinson Credit Card Services Limited (“Qinson”) to develop business in related areas.

On January 6, 2020, Ridik Pte. acquired 100% equity interest in Ridik Consulting Private Limited (“Ridik Consulting”) from third-party selling shareholders with the final purchase price of \$5,520 (396,700 Indian Rupees).

On July 23, 2020, Qiner purchased the 80% equity interest in CLPS Hong Kong from CLPS Shanghai for consideration of \$0.64 million (HKD 5,000,000). After the equity transfer, Qiner holds 100% of equity interest of CLPS Hong Kong. This transaction did not change the holding company’s ownership of the entity.

On July 27, 2020, the Company and a third-party company incorporated CLPS Guangdong Zhichuang Software Technology Co., Ltd. (“CLPS Guangdong Zhichuang”) in Shenzhen. The Company holds 10% of equity interest in CLPS Guangdong Zhichuang valued at \$0.14 million (RMB 1,000,000). On August 13, 2020, January 5, 2021, and February 2, 2021, the Company injected \$28,571 (RMB 200,000), \$46,476 (RMB 300,000) and \$15,487 (RMB 100,000) to CLPS Guangdong Zhichuang, respectively.

On August 28, 2020, the Company, the Chairman of the Company and a third-party company incorporated CLPS Shenzhen Robotics Co. Ltd. (“CLPS Shenzhen Robotics”) in Shenzhen. The Company holds 10% of equity interest in CLPS Shenzhen Robotics valued at \$0.14 million (RMB 1,000,000). On September 15, 2020, the Company injected \$147,451 (RMB1,000,000) to CLPS Shenzhen Robotics.

On January 20, 2021, the Company incorporated Hainan Qincheng Software Technology Co., Ltd. (“CLPS Hainan”) in Hainan to develop business in related areas.

Prior to January 2021, Qiner held 80% equity interest in Ridik Pte. The remaining 20% equity interest was recorded as a noncontrolling interest on the Company’s consolidated balance sheet. On January 29, 2021, CLPS SG acquired the remaining 20% equity interest from Srustijet Mishra and Routray Sibashis with final purchase price of \$0.62 million (or approximately SGD 828,135), in the form of cash of \$0.44 million (or approximately SGD 579,695) and the Company’s common shares valued at \$0.18 million (or approximately SGD 248,441). Ridik Pte. and its subsidiaries are now wholly-owned subsidiaries of the Company.

On February 3, 2021, CLPS Shanghai reached a capital increase agreement with the three shareholders of Shanghai Shier Information Technology Co., Ltd. (“SSIT”). After the capital increase, the Company holds 35% of equity interest in SSIT valued at \$0.08 million (RMB 538,500). The Company injected the capital of \$0.08 million (RMB 538,500) on March 2, 2021.

Prior to January 2021, JAJI China held a 70% equity interest in JAJI HR. The remaining 30% equity interest in JAJI HR was recorded as a noncontrolling interest on the Company’s consolidated balance sheet. On January 28, 2021, JAJI China acquired the remaining 30% equity interest from CareerWin Executive Search Co., Ltd. (“CareerWin”).

On March 3, 2021, JAJI HR acquired 100% equity interest in CareerWin located in Shanghai from third-party selling shareholders with the purchase price in the form of cash of \$0.29 million (RMB 1,877,044).

On March 11, 2021, the equity interest in Ridik Pte. was transferred to CLPS SG from Qiner pursuant to the share purchase agreements. CLPS SG purchased the 80% equity interest in Ridik Pte. from Qiner for consideration of \$2.16 million (or approximately SGD 2,906,435). After the equity transfer, CLPS SG now holds 100% equity interest in Ridik Pte. This transaction did not change the holding company’s ownership of the entity.

On April 2, 2021, as part of business strategy, the Company changed the English entity name of its majority-owned subsidiary, Judge (Shanghai) Co., Ltd. and its wholly-owned subsidiary Judge (Shanghai) Human Resource Co., Ltd., to JAJI (Shanghai) Co., Ltd. (“JAJI China”) and JAJI (Shanghai) Human Resource Co., Ltd. (“JAJI HR”), respectively.

On April 14, 2021, the Company incorporated Growth Ring Ltd. (“Growth Ring”) in British Virgin Islands to develop business in related areas.

On April 15, 2021, the Company incorporated CLPS Xi’an Co., Ltd. (“CLPS Xi’an”) in Shaanxi to develop business in related areas.

On May 11, 2021, JAJI China acquired 60% of equity interest in Beijing Bozhuo Education Technology Co., Ltd. (“Beijing Bozhuo”) located in Beijing from a third-party selling shareholder with the purchase price in the form of cash of \$0.02 million (RMB 120,000).

On May 25, 2021, the Company incorporated Arabian Jasmine Ltd. (“Arabian Jasmine”) in British Virgin Islands to develop business in related areas.

On May 31, 2021, CLPS SG sold its 80% equity interest in Infogain to the noncontrolling interest shareholder Sharma Devendra Prasad for the sale price of \$0.08 million (SGD 100,000). After the interest transfer, Infogain is no longer a subsidiary of the Company.

On May 31, 2021, the Company incorporated Shanghai Chenqin Information Technology Services Co., Ltd. (“Shanghai Chenqin”) in Shanghai to develop business in related areas.

On June 22, 2021, the Company incorporated Noni (Singapore) Pte. Ltd. (“Noni Singapore”) in Singapore to develop business in related areas.

On June 22, 2021, the Company and a noncontrolling interest shareholder incorporated CLPS-Beefinance Holding Limited (“CLPS-Beefinance”) in British Virgin Islands to develop and upgrade blockchain-based digital asset solutions for financial institutions.

The Company is dedicated to providing a full range of services and solutions across technology needs in finance. In recent years, we have both one of the largest IBM mainframe teams, and the largest VisionPLUS team in China, providing both development and implementation of core banking, credit card, online and e-commerce systems, as well as expertise across technology stacks including J2EE, .Net, C, C++ and mobile. We are ISO9001:2008 and CMMI 5 certified, and have been granted certificates of recognition by the Shanghai government, including *Enterprise Software Certification*, *High-tech Enterprise*, *Little Giant Company for Science and Technology* and *Professional Talent Development Training Camp*. In addition, the Company was recognized as one of the recipients of *2017 IDC China Top 25 FinTech Pioneers* during the award ceremony spearheaded by IDC on August 25, 2017. The Company has also received the *2018 Fintech Brand Leadership Award* at the China Finance Summit Winter Forum on November 30, 2018, in Beijing, China.

Our operations are primarily based in mainland China, where we derive a substantial portion of our revenues. For the years ended June 30, 2021, 2020 and 2019, our revenues were \$126.1 million, \$89.4 million and \$64.9 million, respectively. Revenues generated outside of mainland China were approximately \$13.6 million, \$10.6 million and \$4.5 million for fiscal 2021, 2020 and 2019, respectively. We had a net income of \$7.0 million in fiscal 2021, a net income of \$3.1 million in fiscal 2020, and a net loss of \$3.4 million in fiscal 2019, respectively. We had a non-GAAP net income of \$12.1 million in fiscal 2021. Our total assets as of June 30, 2021 were \$82.7 million of which cash and cash equivalent amounted to \$24.7 million. Our total liabilities as of June 30, 2021 were \$25.0 million.

## Factors Affecting Our Results of Operations

We believe the most significant factors that affect our business and results of operations include the following:

- Our ability to obtain new clients and repeat business from existing clients. Revenues from individual clients typically grow over time as we seek to increase the number and scope of services provided to each client, and as clients increase the complexity and scope of the work outsourced to us. Therefore, our ability to obtain new clients, as well as our ability to maintain and increase business from our existing clients, has a significant effect on our results of operations and financial condition. During fiscal 2021, our revenue derived from our IT consulting services increased by 40.3% or \$35.2 million from fiscal 2020, mainly attributable to revenue growth from our existing clients. IT consulting services revenue from new clients amounted to approximately \$8.4 million in fiscal 2021. During fiscal 2020, our revenue derived from our IT consulting services increased by 41.1% or \$25.3 million from fiscal 2019, mainly attributable to revenue growth from our existing clients. IT consulting services revenue from new clients amounted to approximately \$9.4 million in fiscal 2020.
- Our ability to expand our portfolio of service offerings. We intend to increase our revenues by continuing to expand our service offerings, providing quality service to our existing customers and attracting new customers. Through research and development, targeted hiring and strategic acquisitions, we have proactively invested in broadening our existing service lines, including those for serving our specific industry verticals.
- Our ability to attract, retain and motivate qualified employees. Our ability to attract, train and retain a large and cost-effective pool of qualified professionals, including our ability to leverage and expand our proprietary database of qualified IT professionals, to develop additional joint training programs with universities, and our employees' job satisfaction, will affect our financial performance.

We use the following key operating metrics to oversee and manage the Company's business: (i) developing new business, (ii) spearheaded by the CLPS Academy, focusing on the TCP/TDP training programs to provide highly trained and qualified employees to the clients; and (iii) retaining employees to continue to meet client ever-changing needs.

Our objective is to create value for both our customers and shareholders by enhancing our position as a leading IT services provider in the banking industry in China. We believe our strategic initiatives will continue to generate our sales growth, allow us to focus on managing capital, leveraging costs and driving margins to produce profitability and return on investment for our stockholders.

## Acquisitions and Investments

### Acquisition of JAJI China

On November 9, 2016, CLPS Shanghai acquired 60% of JAJI China and its 70% owned subsidiary JAJI HR from Judge Company Asia Limited ("Judge Asia") with the final purchase price of \$480,061 (RMB 3.25 million). The Company funded the acquisition with cash consideration of \$454,388 (RMB 3.05 million) and a payable to Judge Asia of \$128,928 (RMB 0.9 million), of which \$103,255 (RMB 0.7 million) was subsequently offset with the Company's receivables from Judge Asia.

The transaction was accounted for as a business combination using the purchase method of accounting. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 268,014
Accounts receivable, net	325,888
Prepayments, deposits and other assets, net	67,570
Property and equipment, net	1,875
Intangible assets, net	339,883
Salaries and benefits payable	(86,483)
Tax payables	(16,147)
Accounts payable and other current liabilities	(259,361)
Deferred tax liabilities	(65,264)
Non controlling interests	(290,994)
Goodwill	195,080
Total consideration	<u>\$ 480,061</u>

The intangible assets include customer contracts of \$339,883, which were acquired by JAJI China in 2013 with an estimated useful life of 10 years. The goodwill is mainly attributable to the excess of the consideration paid over the fair value of the net assets acquired that cannot be recognized separately as identifiable assets under U.S. GAAP, and comprises (a) the assembled work force and (b) the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition.

On January 28, 2021, JAJI China acquired the remaining 30% equity interest of JAJI HR from CareerWin Executive Search Co., Ltd. (“CareerWin”) with the purchase price of \$0.02 million (RMB 122,956).

On April 2, 2021, as part of business strategy, the Company changed the English entity name of its majority-owned subsidiary, Judge (Shanghai) Co., Ltd. and its wholly-owned subsidiary Judge (Shanghai) Human Resource Co., Ltd., to JAJI (Shanghai) Co., Ltd. (“JAJI China”) and JAJI (Shanghai) Human Resource Co., Ltd. (“JAJI HR”), respectively.

#### **Investment in Huanyu**

On September 27, 2017, the Company made an investment of \$0.15 million (RMB 1,000,000) for a 30% of equity interest in Huanyu which was accounted for as an equity method investment. On May 24, 2019, the Company purchased the remaining 70% equity interest of Huanyu for \$0.07 million (RMB 462,000) and became the sole shareholder of Huanyu.

The transaction was accounted for as a business combination using the purchase method of accounting. As the business combination was achieved in stages, the Company remeasured its previously held 30% of equity interest in Huanyu at its acquisition date fair value of \$152,312. A loss of \$19,682 was recognized in subsidies and other income net in relation to the remeasurement. The valuation considered a discount for lack of control premium and lack of marketability applied to the fair value of the acquired business of Huanyu, which was determined using the income approach.

The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 79,156
Accounts receivable, net	87,674
Prepayments, deposits and other assets, net	7,707
Accounts payable and other current liabilities	(5,310)
Goodwill	50,045
Previous held equity interests	152,312
Cash consideration	66,960
Total consideration	<u>\$ 219,272</u>

The goodwill is mainly attributable to the excess of the consideration paid over the fair value of the net assets acquired that cannot be recognized separately as identifiable assets under U.S. GAAP, and comprise the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The goodwill is not tax deductible. No intangible assets were identified from the acquisition.

For the period from July 1, 2018 to the acquisition date of May 24, 2019 and for the year ended June 30, 2018, 30% of Huanyu’s results of operations was income of \$35,049 (RMB 239,073) and loss of \$8,684 (RMB56,461), respectively.

### Acquisition and disposal of Infogain

On August 20, 2018, CLPS SG acquired an 80% equity in Infogain located in Singapore from Sharma Devendra Prasad and Deepak Malhotra with the final purchase price of \$0.4 million (or approximately 576,000 Singapore dollars).

The transaction was accounted for as a business combination using the purchase method of accounting. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The most significant variables in the valuation are discount rate, terminal value, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<u>Amounts</u>
Cash acquired	\$ 6,843
Accounts receivable	458,943
Prepayment and other receivable	14,454
Property and equipment, net	1,190
Intangible assets, net	337,685
Other payable and other current liabilities	(504,235)
Deferred tax liabilities	(57,406)
Noncontrolling interests	(64,879)
Goodwill	227,506
Total consideration	<u>\$ 420,101</u>

Identifiable intangible assets acquired include customer contracts, which were valued using an income approach and determined to carry estimated remaining useful lives of approximately three years. The goodwill recognized represents the expected synergies and is not tax deductible.

On May 31, 2021, CLPS SG entered into an agreement with Sharma Devendra Prasad to sell its 80% interests in Infogain at a cash consideration of \$75,672 (SGD100,000). Sharma Devendra Prasad is the shareholder of the 20% noncontrolling interests in Infogain and was the original shareholder of the 80% interest in Infogain acquired by CLPS SG in 2019. After the disposal, the Company was no longer a shareholder of Infogain and deconsolidated Infogain's financial results from the Company's financial statements from June 1, 2021. The Company recognized a total gain of \$9,022 (SGD 11,921) from the transaction in "Other income, net" in the consolidated statements of comprehensive income (loss) for the year ended June 30, 2021. The deconsolidation of Infogain did not meet the definition of a discontinued operation in accordance with ASC 205-20, *Presentation of Financial Statements – Discontinued Operations* ("ASC 205-20"), as the disposal of Infogain did not represent a shift in the Company's strategy that has (or will have) a major effect on an entity's operations and financial results.

### Investment in CLPS Lihong

On March 1, 2019, the Company purchased a 36.84% equity interest in CLPS Lihong at a cash consideration of \$0.15 (RMB 1) on the condition that the Company could inject capital of \$1.01 million (RMB 7 million) into CLPS Lihong. In May 2019, the Company made capital contribution to CLPS Lihong of \$1.01 million (RMB 7 million). The Company accounts for the investment in CLPS Lihong as an equity method investment due to its significant influence over the entity. For the year ended June 30, 2019, the Company's share of CLPS Lihong's results of operations was loss of \$176,148 (RMB 1,201,523).

In April 2020, the Company sold an 18.42% equity interest in CLPS Lihong to the third party for the consideration of \$995,605 (RMB 7 million) which was received as of June 30, 2020. Concurrently CLPS Lihong raised additional capital from other third party investors, and the Company's remaining equity interest in CLPS Lihong was diluted to 7% as of June 30, 2020. The Company recognized the remaining equity interest in CLPS Lihong as equity investment without readily determined fair value since May 2020. For the period from July 1, 2019 to April 30, 2020, the Company's share of CLPS Lihong's results of operations was income of \$250,290 (RMB 1,759,764).

### Investment in CLPS Beijing

Prior to June 2018, the Company held a 70% equity interest of CLPS Beijing which primarily engages in software development. On June 27, 2018, Qiner entered into a new share purchase agreement and purchased the remaining 30% equity interest of CLPS Beijing for consideration of \$0.6 million and became the sole shareholder of CLPS Beijing. The consideration was paid on July 5, 2018. Prior to June 2018, the remaining 30% equity interest of CLPS Beijing was recorded as a noncontrolling interests on the balance sheet. The Company engaged an independent valuation firm to assist management in assessing the enterprise value of CLPS Beijing. The enterprise value of CLPS Beijing as of June 27, 2018 was \$1.94 million based on the third-party valuation report.

### Investment in EMIT

On April 3, 2019, Qiner purchased a 30% equity interest of EMIT at nil consideration. with a committed to invest \$445,454.14 (RMB 3,000,000.00) in total within 20 years. During the years ended June 30, 2020 and 2019, the Company made capital contribution to EMIT of \$143,299 (RMB 1,000,000.00) and \$73,593 (RMB500,000.00), respectively. The Company accounts for the investment in EMIT as an equity method investment due to its significant influence over the entity. For the years ended June 30, 2020 and 2019, the Company's share of EMIT's results of operations was a loss of \$42,927 (RMB 301,878) and \$4,230 (RMB 28,853), respectively. As the end of June 30, 2020 and 2019, the committed but not yet made investment in EMIT was \$228,561 (RMB 1,500,000.00) and \$371,860 (RMB 2,500,000.00), respectively.

### **Acquisition of Ridik Pte. and Ridik Consulting**

On September 26, 2019, Qiner acquired an 80% equity interest in Ridik Pte. Ltd. (“Ridik Pte.”) located in Singapore from third-party selling shareholders with the final purchase price of \$2,462,580 (3,402,304 Singapore dollars), in the form of cash of \$2,026,043 (2,799,180 Singapore dollars) and the Company’s common shares valued at \$436,537 (603,123 Singapore dollars), respectively. Ridik Sdn. Bhd. (“Ridik Sdn.”), Ridik Software Solutions Pte. Ltd. (“Ridik Software Pte.”) and Ridik Software Solutions Ltd. (“Ridik Software”) are all subsidiaries of Ridik Pte.

The transactions were accounted for as business combinations using the purchase method of accounting. The purchase price allocations of the transactions were determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition dates. The most significant variables in the valuation are discount rates, terminal value, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 474,323
Accounts receivable, net	618,144
Prepayments, deposits and other assets, net	103,697
Property and equipment, net	1,493
Customer relationship	904,748
Short-term bank loans and long-term bank loans, current portion	(48,103)
Accounts payable and other current liabilities	(128,688)
Tax payables	(102,978)
Salaries and benefits payable	(431,548)
Long-term bank loans	(44,201)
Deferred tax liabilities	(162,855)
Noncontrolling interests	(411,351)
Goodwill	1,689,899
Total consideration	<u>\$ 2,462,580</u>

Identifiable intangible assets acquired included customer relationship, which was valued using an income approach and determined to carry estimated remaining useful life of approximately ten years.

On January 6, 2020, Ridik Pte. acquired 100% equity interest in Ridik Consulting Private Limited (“Ridik Consulting”) from third-party selling shareholders with the final purchase price of \$5,520 (396,700 Indian Rupees). The fair value of the net liabilities acquired was \$3,839 (275,800 Indian Rupees) and goodwill was recognized at \$9,359 (672,500 Indian Rupees).

The goodwill recognized represents the expected synergies and is not tax deductible.

On January 29, 2021, Qiner acquired the remaining 20% equity interest from Srustijeet Mishra and Routray Sibashis with final purchase price of \$0.62 million (or approximately SGD 828,135), in the form of cash of \$0.43 million (or approximately SGD 579,695) and the Company’s common shares valued at \$0.18 million (or approximately SGD 248,441). Ridik Pte. and its subsidiaries are now wholly-owned subsidiaries of the Company.

### **Investment in CLPS Guangdong Zhichuang**

On July 27, 2020, the Company and a third-party company incorporated CLPS Guangdong Zhichuang Software Technology Co., Ltd. (“CLPS Guangdong Zhichuang”) in Shenzhen. The Company holds 10% of equity interest in CLPS Guangdong Zhichuang valued at \$0.14 million (RMB 1,000,000). On August 13, 2020, January 5, 2021, and February 2, 2021, the Company injected \$28,571 (RMB 200,000), \$46,476 (RMB 300,000) and \$15,487 (RMB 100,000) to CLPS Guangdong Zhichuang, respectively. The Company recognized the equity interest in CLPS Guangdong Zhichuang as equity investment without readily determined fair value.

### **Investment in CLPS Shenzhen Robotics**

On August 28, 2020, the Company, the Chairman of the Company and a third-party company incorporated CLPS Shenzhen Robotics Co. Ltd. (“CLPS Shenzhen Robotics”) in Shenzhen. The Company holds 10% of equity interest in CLPS Shenzhen Robotics valued at \$0.14 million (RMB 1,000,000). On September 15, 2020, the Company injected \$147,451 (RMB1,000,000) to CLPS Shenzhen Robotics. The Company recognized the equity interest in CLPS Guangdong Zhichuang as equity investment without readily determined fair value.

### **Acquisition of CareerWin**

In January 2021, JAJI China entered into an agreement with CareerWin to purchase CareerWin's 30% equity interest in JAJI HR. JAJI China previously owned 70% of JAJI HR. After the transaction, JAJI China owned 100% of JAJI HR. At the same time, JAJI HR entered into a share purchase agreement with shareholders of CareerWin to purchase 100% equity interests of CareerWin to expand headhunting business, with JAJI China completing the purchase of 30% equity interest of JAJI HR as one of the pre-closing conditions. The total cash consideration of both transactions was \$308,975 (RMB2 million). The total consideration was allocated to the acquisition of 100% equity interests in CareerWin and the acquisition of 30% noncontrolling interest in JAJI HR at \$289,980 (RMB1.88 million) and \$18,995 (RMB0.12 million), respectively.

The acquisition of the 100% equity interest in CareerWin was completed on March 3, 2021 and was accounted for as a business combination using the purchase method of accounting. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The most significant variables in the valuation are discount rate, terminal value, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 4,037
Accounts receivable	24,811
Property and equipment, net	2,117
Customer contracts	126,680
Other payable and other current liabilities	(71,488)
Wages payable	(5,099)
Tax payables	(2,576)
Deferred tax liabilities	(25,336)
Goodwill	236,834
Total consideration	<u>\$ 289,980</u>

Identifiable intangible assets acquired include customer relationship, which were valued using an income approach and determined to carry estimated remaining useful lives of approximately five years. The goodwill recognized represents the expected synergies and is not tax deductible.

Pro forma financial information of CareerWin is not presented as the effects of the acquisition on the Company's consolidated financial statements were not material.

### **Investment in SSIT**

On February 3, 2021, CLPS Shanghai reached a capital increase agreement with the three shareholders of Shanghai Shier Information Technology Co., Ltd. ("SSIT"). After the capital increase, the Company holds 35% of equity interest in SSIT valued at \$0.08 million (RMB 538,500). The company injected the capital of \$0.08 million (RMB 538,500) on March 2, 2021. The Company accounts for the investment in SSIT as an equity method investment due to its significant influence over the entity. For the year ended June 30, 2021, the Company's share in SSIT's result of operations was a loss of \$9,445 (RMB 62,537).

### **Other Acquisition**

During the year ended June 30, 2021, the Company also completed another insignificant business combination with total cash purchase consideration of \$18,533 (RMB 0.12 million).

## Results of Operations

### Results of Operations for Continuing Operations

The following table sets forth a summary of our consolidated statements of operations for the periods indicated.

	For the years ended June 30,		
	2021	2020	2019
Revenues	\$ 126,061,693	\$ 89,415,798	\$ 64,932,937
Less: Cost of revenues	(85,890,757)	(58,296,097)	(41,178,356)
Gross profit	<u>40,170,936</u>	<u>31,119,701</u>	<u>23,754,581</u>
Operating incomes (expenses):			
Selling and marketing expenses	(3,753,236)	(3,059,877)	(2,179,029)
Research and development expenses	(13,337,913)	(10,436,975)	(7,978,883)
General and administrative expenses	(16,784,688)	(16,343,936)	(17,384,393)
Subsidies and other operating income	2,080,087	1,927,230	697,370
Total operating expenses	<u>(31,795,750)</u>	<u>(27,913,558)</u>	<u>(26,844,935)</u>
Income (loss) from operation	8,375,186	3,206,143	(3,090,354)
Other income	296,319	608,638	82,138
Other expenses	<u>(351,045)</u>	<u>(107,322)</u>	<u>(92,429)</u>
Income (loss) before income tax and share of income (loss) in equity investees	8,320,460	3,707,459	(3,100,645)
Provision for income taxes	1,257,124	835,444	186,615
Income (loss) before share of income (loss) in equity investees	<u>7,063,336</u>	<u>2,872,015</u>	<u>(3,287,260)</u>
Share of (loss) income in equity investees, net of tax	(44,121)	207,363	(145,329)
Net income (loss)	7,019,215	3,079,378	(3,432,589)
Less: Net income (loss) attributable to noncontrolling interests	202,643	141,139	(162,813)
<b>Net income (loss) attributable to CLPS Incorporation's shareholders</b>	<b><u>\$ 6,816,572</u></b>	<b><u>\$ 2,938,239</u></b>	<b><u>\$ (3,269,776)</u></b>
Basic earnings (loss) per common share	0.39	0.20	(0.24)
Weighted average number of share outstanding – basic	17,279,443	14,689,224	13,843,764
Diluted earnings (loss) per common share	0.39	0.20	(0.24)
Weighted average number of share outstanding – diluted	17,569,440	14,692,299	13,843,764
<b>Supplemental information:</b>			
Non-GAAP income before income tax and share of income (loss) of equity investees	13,449,156	7,711,539	3,915,444
Non-GAAP net income	12,147,911	7,083,458	3,583,500
Non-GAAP net income attributable to CLPS Incorporation's shareholders	11,945,268	6,942,319	3,746,313
Non-GAAP basic earnings per common share	0.69	0.47	0.27
Weighted average number of share outstanding – basic	17,279,443	14,689,224	13,843,764
Non-GAAP diluted earnings per common share	0.68	0.47	0.27
Weighted average number of share outstanding – diluted	17,569,440	14,692,299	13,969,436

### 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 income before income tax and share of loss income of equity investees, non-GAAP net income, 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 income before income tax and share of loss income of equity investees is income before income tax and share of loss income of equity investees excluding share-based compensation expenses. Non-GAAP net income is net income excluding share-based compensation expenses. 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 CLPS Incorporation’s 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 measures are 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 following table sets forth a reconciliation of non-GAAP general and administrative expense, non-GAAP income before income tax and share of loss of equity investees, non-GAAP net income, non-GAAP net income attributable to CLPS Incorporation's shareholders, and non-GAAP Basic and diluted earnings per common share for the periods indicated:

	<b>For the year ended June 30, 2021</b>
Cost of revenues	(85,890,757)
Less: share-based compensation expenses	(8,403)
<b>Non-GAAP cost of revenues</b>	<b>(85,882,354)</b>
Selling and marketing expenses	(3,753,236)
Less: share-based compensation expenses	(122,087)
<b>Non-GAAP selling and marketing expenses</b>	<b>(3,631,149)</b>
General and administrative expenses	(16,784,688)
Less: share-based compensation expenses	(4,998,206)
<b>Non-GAAP general and administrative expenses</b>	<b>(11,786,482)</b>
Income before income tax and share of income (loss) in equity investees	8,320,460
Add: share-based compensation expenses	5,128,696
<b>Non-GAAP income before income tax and share of (income) loss of equity investees</b>	<b>13,449,156</b>
Net income	7,019,215
Add: share-based compensation expenses	5,128,696
<b>Non-GAAP net income</b>	<b>12,147,911</b>
Net income attributable to CLPS Incorporation's shareholders	6,816,572
Add: share-based compensation expenses	5,128,696
<b>Non-GAAP net income attributable to CLPS Incorporation's shareholders</b>	<b>11,945,268</b>
Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings	17,279,443
GAAP basic earnings per common share	0.39
Add: share-based compensation expenses	0.30
<b>Non-GAAP basic earnings per common share</b>	<b>0.69</b>
Weighted average number of share outstanding used in computing GAAP diluted earnings	17,569,440
Weighted average number of share outstanding used in computing non-GAAP diluted earnings	17,569,440
GAAP diluted earnings per common share	0.39
Add: share-based compensation expenses	0.29
<b>Non-GAAP diluted earnings per common share</b>	<b>0.68</b>

**For the Years Ended June 30, 2021 and 2020**

**Revenues**

We derive revenues by providing integrated IT services and solutions, including: (i) IT consulting services, which primarily includes application development services for banks and institutions in the financial industry, which are billed on a time-and-expense basis, (ii) customized IT solutions services, which primarily includes customized solution development and maintenance service for general enterprises with acceptance requirement, which are billed either on a time-and-expense basis with enforceable right to payment or on a fixed-price basis, and (iii) other revenue from product and third-party software sales, training and headhunting.

Our customer contracts may be categorized by pricing model into time-and-expense contracts and fixed-price contracts. Under time-and-expense contracts, we are compensated for actual time incurred by our IT professionals at negotiated daily billing rates. We are also entitled to charge overtime fees in addition to the daily billing rates under some time-and-expense contracts. Fixed-price contracts require us to develop customized IT solutions throughout the contractual period, and we are paid in installments upon completion of specified milestones under the contracts.

The following table presents our revenues by our service lines.

	For the Year ended June 30,					
	2021		2020		Variance	Variance %
	Revenue	% of total Revenue	Revenue	% of total Revenue		
IT consulting services	\$ 122,273,395	97.0%	\$ 87,136,754	97.5%	35,136,641	40.3%
Customized IT solution services	3,130,646	2.5%	1,844,891	2.1%	1,285,755	69.7%
Other	657,652	0.5%	434,153	0.5%	223,499	51.5%
Total	<u>126,061,693</u>	<u>100.0%</u>	<u>\$ 89,415,798</u>	<u>100.0%</u>	<u>36,645,895</u>	<u>41.0%</u>

Our total revenues increased by approximately \$36.7 million, or 41.0%, to approximately \$126.1 million for the fiscal year ended June 30, 2021 from approximately \$89.4 million for the fiscal year ended June 30, 2020. The overall growth in our revenues reflects an increase in revenues from our IT consulting services and derived primarily from existing customers.

For the year ended June 30, 2021, revenue derived from our IT consulting services increased by 40.3% to \$122.3 million from \$87.1 million in fiscal 2020, primarily reflecting the increasing demands for our IT consulting services from banks and other financial institutions. For fiscal 2021 and 2020, 40.1% and 40.0% of our IT consulting services revenue were from international banks, respectively. In fiscal 2021, we strengthened our expertise in the financial industry to leverage our existing industry knowledge and grew our customer base of local Chinese financial institutions.

Revenue from customized IT solution services increased by \$1.3 million, or 69.7%, to \$3.1 million for the year ended June 30, 2021, from \$1.8 million in the same period of the previous year. The increase was primarily due to increasing demand from existing clients.

Revenue from other services increased by \$0.3 million, or 51.5%, to \$0.7 million for the year ended June 30, 2021, from \$0.4 million in the prior year period.

The number of clients increased by 24, or 10.6%, to 251 for the year ended June 30, 2021 from 227 in the prior year period. Revenues from top five clients accounted for 45.7% and 47.3% of the Company's total revenues for fiscal 2021 and 2020, respectively, which reflects decreased in revenue dependence from major clients.

Revenue generated outside of mainland China for the year ended June 30, 2021 accounted for 10.7% of total revenue compared to 11.8% in the prior year period.

### ***Cost of revenues***

Our cost of revenues mainly consisted of compensation benefit expenses for our IT professionals, travel expenses and material costs. Our cost of revenues increased by \$27.6 million or 47.3% to approximately \$85.9 million in fiscal 2021 from approximately \$58.3 million in fiscal 2020 primarily as a result of increased revenue, therefore resulting in increased headcount, expanded office facilities to enable and match the growth of our business revenue. As a percentage of revenues, our cost of revenues was 68.1% and 65.2% for fiscal 2021 and 2020, respectively.

### ***Gross profit and gross margin***

Our gross profit increased by \$9.1 million, or 29.1%, to approximately \$40.2 million in fiscal 2021 from approximately \$31.1 million in fiscal 2020. The higher gross profit in fiscal 2021 was primarily attributable to the increase in our billing rates of both IT consulting services and customized IT solution services. Also, customized IT solution services contribute favorably to our client retention and understanding of our clients' businesses and provide opportunities to cross-sell our other services. Gross margin decreased to 31.9% in fiscal 2021 from 34.8% for the same period of last year.

### ***Selling and marketing expenses***

Selling and marketing expenses primarily consisted of salary and compensation expenses relating to our sales and marketing personnel, and also included entertainment, travel and transportation, and other expenses relating to our marketing activities.

Selling and marketing expenses increased by \$0.7 million or 22.7% to \$3.8 million in fiscal 2021 from \$3.1 million in fiscal 2020. Accordingly, as a percentage of sales, our selling expenses were 3.0% of revenues in fiscal 2021 compared to 3.4% in fiscal 2020. We expect our selling and marketing expenses to increase as we continue our business expansion, we expect these expenses to remain relatively steady as a percentage of our net revenues to support our business growth in the future.

### ***Research and development (“R&D”) expenses***

R&D expenses primarily consisted of compensation and benefit expenses relating to our research and development personnel as well as office overhead and other expenses relating to our R&D activities. Our R&D expenses were \$13.3 million in fiscal 2021, which increased by \$2.9 million or 27.8% compared to \$10.4 million in fiscal 2020, representing 10.6% and 11.7% of our total revenues for fiscal 2021 and 2020, respectively. We expect to keep our investment in research and development relatively stable to enhance our industry knowledge, improve our competitiveness and enable us to identify attractive market opportunities for new and enhanced services and solutions.

### ***General and administrative expenses***

General and administrative expenses primarily consisted of salary and compensation expenses relating to our finance, legal, human resources and executive office personnel, and included share-based compensation expenses, rental expenses, depreciation and amortization expenses, office overhead, professional service fees and travel and transportation costs.

General and administrative expenses increased by \$0.5 million, or 2.7%, to \$16.8 million in fiscal 2021 from \$16.3 million in the prior year. After the deduction of \$5.1 million non-cash share-based compensation expenses related to the grants under the 2017 and 2019 Incentive Compensation Plan, non-GAAP general and administrative expenses decreased by \$0.8 million, or 6.2%, to \$11.8 million in fiscal 2021 from \$12.6 million in the same period of the previous year.

### ***Subsidies and other operating income***

Subsidies and other operating income primarily included government subsidies which represented amounts granted by local government authorities as a general incentive for us to promote development of the local technology industry. The Company records government subsidies in subsidies and other operating income upon received and when there is no further performance obligation. Total government subsidies amounted to \$2.1 million and \$1.9 million in fiscal 2021 and 2020, respectively.

### ***Income(loss) before income taxes and share of income (loss) in equity investees***

Income (loss) before income taxes and share of income (loss) in equity investees increased by \$4.6 million to a \$8.3 million income in fiscal 2021 from an income of \$3.7 million in fiscal 2020. After the deduction of non-cash share-based compensation expenses, non-GAAP income before income taxes and share of income (loss) in equity investees increased by \$5.7 million, or 74.4%, to \$13.4 million in fiscal 2021 from \$7.7 million in the same period of the previous year.

### ***Provision for income taxes***

Our provision for income taxes in fiscal 2021 increased by \$0.5 million to \$1.3 million from \$0.8 million provision for income taxes in fiscal 2020, mainly due to recognition of withholding tax related to the dividend of the Company’s subsidiary.

### ***Share of (loss) income in equity investees, net of tax***

The share of loss in equity investees, net of tax in fiscal 2021 was net equity investment loss of SSIT and EMIT. The share of income in equity investees, net of tax in fiscal 2020 was net equity investment income of Lihong and EMIT.

### ***Net income***

Net income increased by \$3.9 million or 127.9% to \$7.0 million in fiscal 2021 from a net income of \$3.1 million in fiscal 2020. After the deduction of \$5.1 million non-cash share-based compensation expenses, non-GAAP net income increased by \$5.0 million, or 71.5%, to \$12.1 million in fiscal 2021 from \$7.1 million in the previous year.

### ***Other comprehensive income (loss)***

Foreign currency translation adjustments amounted to income of \$2.6 and loss of \$0.5 million for the years ended June 30, 2021 and 2020, respectively. The balance sheet amounts with the exception of equity as of June 30, 2021 were translated at 6.4566 RMB to 1.00 USD as compared to 7.0651 RMB to 1.00 USD as of June 30, 2020. The equity accounts were stated at their historical rate. The average translation rates applied to the income statements accounts for the years ended June 30, 2021 and 2020 were 6.6212 RMB to 1.00 USD and 7.0309 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.

**For the Years Ended June 30, 2020 and 2019**

**Revenues**

We derive revenues by providing integrated IT services and solutions, including: (i) IT consulting services, which primarily includes application development services for banks and institutions in the financial industry, which are billed on a time-and-expense basis, (ii) customized IT solutions services, which primarily includes customized solution development and maintenance service for general enterprises with acceptance requirement, which are billed either on a time-and-expense basis with enforceable right to payment or on a fixed-price basis, and (iii) other revenue from product and third-party software sales, training and headhunting.

Our customer contracts may be categorized by pricing model into time-and-expense contracts and fixed-price contracts. Under time-and-expense contracts, we are compensated for actual time incurred by our IT professionals at negotiated daily billing rates. We are also entitled to charge overtime fees in addition to the daily billing rates under some time-and-expense contracts. Fixed-price contracts require us to develop customized IT solutions throughout the contractual period, and we are paid in installments upon completion of specified milestones under the contracts.

The following table presents our revenues by our service lines.

	For the Year ended June 30,					
	2020		2019		Variance	Variance %
	Revenue	% of total Revenue	Revenue	% of total Revenue		
IT consulting services	\$87,136,754	97.5%	\$61,755,355	95.1%	\$25,381,399	41.1%
Customized IT solution services	1,844,891	2.1%	3,041,482	4.7%	(1,196,591)	(39.3)%
Other	434,153	0.5%	136,100	0.2%	298,053	219.0%
Total	<u>\$89,415,798</u>	<u>100.0%</u>	<u>\$64,932,937</u>	<u>100.0%</u>	<u>\$24,482,861</u>	<u>37.7%</u>

Our total revenues increased by approximately \$24.5 million, or 37.7%, to approximately \$89.4 million for the fiscal year ended June 30, 2020 from approximately \$64.9 million for the fiscal year ended June 30, 2019. The overall growth in our revenues reflects an increase in revenues from our IT consulting services and derived primarily from existing customers.

For the year ended June 30, 2020, revenue derived from our IT consulting services increased by 41.1% to \$87.1 million from \$61.8 million in fiscal 2019, primarily reflecting the increasing demands for our IT consulting services from banks and other financial institutions. For fiscal 2020 and 2019, 40.0% and 47.5% of our IT consulting services revenue were from international banks, respectively. In fiscal 2020, we strengthened our expertise in the financial industry to leverage our existing industry knowledge and grew our customer base of local Chinese financial institutions.

Revenue from customized IT solution services decreased by \$1.2 million, or 39.3%, to \$1.8 million for the year ended June 30, 2020, from \$3.0 million in the same period of the previous year. The decrease was primarily due to decreasing demand from existing clients.

Revenue from other services increased by \$0.3 million, or 219.0%, to \$0.4 million for the year ended June 30, 2020, from \$0.1 million in the prior year period.

The number of clients increased by 53, or 30%, to 227 for the year ended June 30, 2020 from 174 in the prior year period. Revenues from top five clients accounted for 47.3% and 50.7% of the Company's total revenues for fiscal 2020 and 2019, respectively, which reflects decreased in revenue dependence from major clients.

Revenue generated outside of mainland China for the year ended June 30, 2020 accounted for 11.8% of total revenue compared to 7.0% in the prior year period. The increase in revenue generated outside of mainland China reflects the Company's successful and continuous global expansion strategy.

### ***Cost of revenues***

Our cost of revenues mainly consisted of compensation benefit expenses for our IT professionals, travel expenses and material costs. Our cost of revenues increased by \$17.1 million or 41.6% to approximately \$58.3 million in fiscal 2020 from approximately \$41.2 million in fiscal 2019 primarily as a result of increased revenue, therefore resulting in increased headcount, expanded office facilities and increase of depreciation and amortization expenses to enable and match the growth of our business revenue. As a percentage of revenues, our cost of revenues was 65.2% and 63.4% for fiscal 2020 and 2019, respectively. Our total number of employees grew from 2,085 employees as of June 30, 2019 to 2,746 employees as of June 30, 2020.

### ***Gross profit and gross margin***

Our gross profit increased by \$7.3 million, or 31.0%, to approximately \$31.1 million in fiscal 2020 from approximately \$23.8 million in fiscal 2019. The higher gross profit in fiscal 2020 was primarily attributable to the increase in our billing rates of both IT consulting services and customized IT solution services. Also, customized IT solution services contribute favorably to our client retention and understanding of our clients' businesses and provide opportunities to cross-sell our other services. Gross margin decreased to 34.8% in fiscal 2020 from 36.6% for the same period of last year.

### ***Selling and marketing expenses***

Selling and marketing expenses primarily consisted of salary and compensation expenses relating to our sales and marketing personnel, and also included entertainment, travel and transportation, and other expenses relating to our marketing activities.

Selling and marketing expenses increased by \$0.9 million or 40.4% from \$2.2 million in fiscal 2019 to \$3.1 million in fiscal 2020. Accordingly, as a percentage of sales, our selling expenses were 3.4% of revenues in fiscal 2020 same as 3.4% in fiscal 2019. We expect our selling and marketing expenses to increase as we continue our business expansion, we expect these expenses to remain relatively steady as a percentage of our net revenues to support our business growth in the future.

### **Research and development (“R&D”) expenses**

R&D expenses primarily consisted of compensation and benefit expenses relating to our research and development personnel as well as office overhead and other expenses relating to our R&D activities. Our R&D expenses were \$10.4 million in fiscal 2020, which increased by \$2.4 million or 30.8% compared to \$8.0 million in fiscal 2019, representing 11.7% and 12.3% of our total revenues for fiscal 2020 and 2019, respectively. We expect to keep our investment in research and development relatively stable to enhance our industry knowledge, improve our competitiveness and enable us to identify attractive market opportunities for new and enhanced services and solutions.

### **General and administrative expenses**

General and administrative expenses primarily consisted of salary and compensation expenses relating to our finance, legal, human resources and executive office personnel, and included share-based compensation expenses, rental expenses, depreciation and amortization expenses, office overhead, professional service fees and travel and transportation costs.

General and administrative expenses decreased by \$1.1 million, or 6.0%, to \$16.3 million in fiscal 2020 from \$17.4 million in the prior year. After the deduction of \$3.8 million non-cash share-based compensation expenses related to the grants under the 2017 and 2019 Incentive Compensation Plan, non-GAAP general and administrative expenses increased by \$2.1 million, or 20.5%, to \$12.6 million in fiscal 2020 from \$10.4 million in the same period of the previous year. The increase in non-GAAP administrative expenses was primarily due to an increase in administrative personnel and M&A related expenses as a result of business expansion.

### **Subsidies and other operating income**

Subsidies and other operating income primarily included government subsidies which represented amounts granted by local government authorities as a general incentive for us to promote development of the local technology industry. The Company records government subsidies in subsidies and other operating income upon received and when there is no further performance obligation. Total government subsidies amounted to \$1.9 million and \$0.7 million in fiscal 2020 and 2019, respectively.

### **Income (loss) before income taxes and share of income (loss) in equity investees**

Income (loss) before income taxes and share of income (loss) in equity investees increased by \$6.8 million to a \$3.7 million income in fiscal 2020 from a loss of \$3.1 million in fiscal 2019. After the deduction of non-cash share-based compensation expenses, non-GAAP income before income taxes and share of income in equity investees increased by \$3.8 million, or 97%, to \$7.7 million in fiscal 2020 from \$3.9 million in the same period of the previous year.

### **Provision for income taxes**

Our provision for income taxes in fiscal 2020 increased by \$0.6 million to \$0.8 million from \$0.2 million benefit for income taxes in fiscal 2019, mainly due to the increase of Company’s income before tax and the reversal of the beginning balances of deferred tax assets related to the net operating losses for some of the Company’s subsidiaries.

### **Share of income (loss) in equity investees, net of tax**

The share of income in equity investees, net of tax in fiscal 2020 was net equity investment income of Lihong and EMIT. The share of loss in equity investees, net of tax in fiscal 2019 was equity investment loss of Huanyu, Lihong and EMIT.

### **Net income (loss)**

Net income increased by \$6.5 million to an income of \$3.1 million in fiscal 2020 from a loss of \$3.4 million in fiscal 2019. After the deduction of \$4.0 million non-cash share-based compensation expenses, non-GAAP net income increased by \$3.5 million, or 97.7%, to \$7.1 million in fiscal 2020 from \$3.6 million in the previous year.

### **Other comprehensive income (loss)**

Foreign currency translation adjustments amounted to loss of \$0.5 and \$0.4 million for the years ended June 30, 2020 and 2019, respectively. The balance sheet amounts with the exception of equity as of June 30, 2020 were translated at 7.0651 RMB to 1.00 USD as compared to 6.8650 RMB to 1.00 USD as of June 30, 2019. The equity accounts were stated at their historical rate. The average translation rates applied to the income statements accounts for the years ended June 30, 2020 and 2019 were 7.0309 RMB to 1.00 USD and 6.8211 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.

## Liquidity and Capital Resources

On February 23, 2021, the Company entered into an agreement with Maxim Group LLC (“Maxim”) that Maxim will serve as a Placement Agent for the Company in connection with the proposed offering of registered securities of the Company, including shares of the Company’s common stock. On February 28, 2021, the Company entered into a securities purchase agreement (“SPA”) with certain accredited investors. According to the SPA, the Company agreed to sell 2,666,666 shares of the Company’s common stock and issue unregistered warrants to purchase up to an additional 2,666,666 shares of common stock in the concurrent private placement transaction (the transaction). On March 3, 2021, the Company issued 2,666,666 common shares at US\$6.00 per share to those investors, with a par value of \$0.0001 per share, and issued 2,666,666 warrants, generating total gross proceeds of \$15,999,996. Net proceeds from the transaction after issuance cost of \$1,317,119 were \$14,682,877 which was allocated to common shares and warrants issued on their relative fair value basis of \$11,131,829 and \$3,551,048, respectively.

As of June 30, 2021, we had cash and cash equivalents of approximately \$24.7 million. Our current assets were approximately \$76.1 million, and our current liabilities were approximately \$23.0 million. Total shareholders’ equity as of June 30, 2021 was approximately \$57.7 million. We believe that we will have sufficient working capital to operate our business for the next 12 months from the issuance date of this report.

Substantially all of our operations are conducted in China and all of our revenue, expenses, cash and cash equivalents are denominated in RMB. RMB is subject to the exchange control regulation in China, and, as a result, we may have difficulty distributing any dividends outside of China due to PRC exchange control regulations that restrict our ability to convert RMB into U.S. dollars. As of June 30, 2021, cash and cash equivalents of approximately \$9.7 million, \$0.8 million, \$0.01 million, \$14.0 million, \$0.002 million, \$0.07 million, \$0.2 million and \$0.01 million were held by the Company and its subsidiaries in Mainland China, Singapore, Australia, Hong Kong, India, Malaysia, Japan and the United States of America respectively. We would need to accrue and pay withholding taxes if we were to distribute funds from our subsidiaries in China to our offshore subsidiaries. We do not intend to repatriate such funds in the foreseeable future, as we plan to use existing cash balance in PRC for general corporate purposes.

In assessing our liquidity, we monitor and analyze our cash on hand, our ability to generate sufficient revenue sources in the future and our operating and capital expenditure commitments. The Company plans to fund working capital through its operations, bank borrowings and additional capital contribution from shareholders. Our operating cash flow was negative for the year ended June 30, 2021. We have historically funded our working capital needs primarily from operations, advance payments from customers and loans from shareholders. Our working capital requirements are affected by the efficiency of our operations, the numerical volume and dollar value of our sales contracts, the progress or execution on our customer contracts, and the timing of accounts receivable collections.

The following table sets forth summary of our cash flows for the periods indicated:

	For the Years Ended June 30,		
	2021	2020	2019
Net cash (used in) provided by operating activities	(2,609,773)	\$ 5,931,124	\$ 401,107
Net cash (used in) provided by investing activities	(5,619,471)	173,229	(3,862,360)
Net cash provided by financing activities	19,340,588	125,362	466,782
Effect of exchange rate change	975,918	(178,930)	(147,080)
Net increase (decrease) in cash	12,087,262	6,050,785	(3,141,551)
Cash and cash equivalents at the beginning of the year	12,652,120	6,601,335	9,742,886
Cash and cash equivalents at the end of the year	24,739,382	\$ 12,652,120	\$ 6,601,335

### Operating Activities

Net cash used in operating activities was approximately \$2.6 million in fiscal 2021, including net income of \$7.0 million, adjusted for non-cash items of \$5.7 million and negative adjustments for changes in operating assets and liabilities of \$15.3 million. The adjustments for changes in operating assets and liabilities mainly included the increase in accounts receivable of \$16.7 million due to increased sales in fiscal 2021. During fiscal 2021, our accounts receivable turnover was 100 days, an increase of 9 days from 91 days in fiscal 2020. The adjustments for changes in operating assets and liabilities also included an increase in salaries and benefits payable of \$0.3 million and an increase in accounts payable and other payables of \$0.4 million in fiscal 2021.

Net cash provided by operating activities was approximately \$5.9 million in fiscal 2020, including net income of \$3.1 million, adjusted for non-cash items of \$4.4 million and negative adjustments for changes in operating assets and liabilities of \$1.6 million. The adjustments for changes in operating assets and liabilities mainly included the increase in accounts receivable of \$6.6 million due to increased sales in fiscal 2020. During fiscal 2020, our accounts receivable turnover was 91 days, stable with 99 days in fiscal 2019. The adjustments for changes in operating assets and liabilities also included offset with an increase in salaries and benefits payable of \$3.6 million due to unpaid employee compensation and benefits, and an increase in accounts payable and other payables of \$0.1 million in fiscal 2020.

Net cash provided by operating activities was approximately \$0.4 million in fiscal 2019, including net loss of \$3.4 million, adjusted for non-cash items of \$7.6 million and negative adjustments for changes in operating assets and liabilities of \$3.8 million. The adjustments for changes in operating assets and liabilities mainly included an increase in accounts receivable of \$3.1 million in fiscal 2019. During fiscal 2019, our accounts receivable turnover was 99 days, increased from 84 days in fiscal 2018 due to the longer payment approval process of the major customers compared with payment time of fiscal 2018. The adjustments for changes in operating assets and liabilities also included offset with an increase in salaries and benefits payable of \$0.6 million due to unpaid employee compensation and benefits, and a decrease in accounts payable and other payables of \$0.8 million in fiscal 2019.

### Investing Activities

Net cash used in investing activities was approximately \$5.6 million in fiscal 2021, primarily due to our purchase of office building, office equipment and furniture of \$1.1 million, disposition of subsidiary of \$0.2 million, addition of long term investment of \$0.3 million, loans provided to Infogain and related party of \$0.3 million, our business acquisition of \$0.3 million and short-term investments of \$3.4 million in fiscal 2021, to better manage opportunities and capitalize on the growth potential in the human resource related industry.

Net cash provided by investing activities was approximately \$0.2 million in fiscal 2020, primarily due to our purchase of office equipment and furniture of \$0.2 million, disposition of long term investment of \$1.0 million, our business acquisition of \$1.6 million and short-term investments of \$1.1 million in fiscal 2020, to better manage opportunities and capitalize on the growth potential in the human resource related industry. In fiscal 2020, we paid \$1,844,380 (2,496,000 Singapore dollars) and the Company's common shares valued at \$461,096 (624,000 Singapore dollars) for an 80% of equity interest in Ridik Pte. The Company also injected \$0.14 million (RMB 1,000,000) in EMIT. The Company sold an 18.42% equity interest in CLPS Lihong for the consideration of \$995,605 (RMB 7 million) to the third party.

Net cash used in investing activities was approximately \$3.9 million in fiscal 2019, primarily due to our purchase of office equipment and furniture of \$0.5 million, long term investment of \$1.1 million, our business acquisition of \$0.4 million and short-term investments of \$1.8 million in fiscal 2019, to better manage opportunities and capitalize on the growth potential in the human resource related industry. In fiscal 2019, we paid \$0.07 million (RMB 462,000) for a 70% of equity interest in Huanyu, and \$0.4 million (576,000 Singapore dollars) for an 80% of equity interest in Infogain, respectively. The Company also injected \$0.07 million (RMB 500,000) in EMIT and \$1.0 million (RMB 7,000,000) in CLPS Lihong, respectively.

### Financing Activities

Net cash provided by financing activities was approximately \$19.3 million in fiscal 2021. During the fiscal 2021, we had bank loans of approximately \$13.3 million, repaid loans of approximately \$8.3 million, received capital contribution from private placement of \$14.7 million, received capital contribution from option exercise of \$0.1 million and purchase of noncontrolling interest of \$0.5 million.

Net cash provided by financing activities was approximately \$0.1 million in fiscal 2020. During the fiscal 2020, we had bank loans of approximately \$3.8 million, repaid loans of approximately \$3.9 million, and received the over-allotment proceeds of \$0.2 million.

Net cash provided by financing activities was approximately \$0.5 million in fiscal 2019. During the fiscal 2019, we had bank loans of approximately \$3.6 million, repaid loans of approximately \$3.9 million, and received the over-allotment proceeds of \$1.5 million and paid \$0.6 million for purchase of noncontrolling interests in CLPS Beijing.

### Capital Expenditures

The Company made capital expenditures of \$1.1 million, \$0.2 million and \$0.5 million for the years ended June 30, 2021, 2020 and 2019, respectively. In these periods, our capital expenditures were mainly used for purchases of office building and office equipment. The Company will continue to make capital expenditures to meet the expected growth of its business.

### Impact of Inflation

We do not believe the impact of inflation on our company is material. Our operations are in China and China's inflation rates have been relatively stable over the last two years: 2.5% in 2020 and 2.1% in 2019.

### Contractual Obligations

The Company's subsidiaries lease office spaces under various operating leases. Operating lease expense amounted to \$942,606, \$944,645 and \$827,593 for the years ended June 30, 2021, 2020 and 2019, respectively. The following table sets forth our contractual obligations and commercial commitments as of June 30, 2021:

	Payment Due by Period			
	Total	Less than 1 Year	1-3 Years	More than 3 Years
Operating lease arrangements	\$ 2,114,131	\$ 1,045,953	\$ 1,068,178	\$ -
Bank loans	7,757,687	7,747,798	9,889	-
Purchase obligation for fixed assets	3,302,944	3,302,944	-	-
Investment commitment obligations	500,304	500,304	-	-
Total	<u>\$ 13,675,066</u>	<u>\$ 12,596,999</u>	<u>\$ 1,078,067</u>	<u>\$ -</u>

### ***Subsequent Events***

On June 7, 2021, the Company entered into a purchase agreement with a third party to purchase an office property in Hong Kong for self-use at a consideration of \$ 3,669,937 (HKD28,500,000). The Company made the first payment of \$ 183,497 (HKD1,425,000) on May 24,2021 and second payment of \$183,497 (HKD1,425,000) on June 4,2021. Remaining balance of \$3,302,943 (HKD25,650,000) was paid on July 21, 2021.

On July 8, 2021, the Company entered into a capital increase agreement with two third-party shareholders of the target company, Beijing UniDev Software Co., Ltd (“UniDev”), to obtain 15% of equity interest in UniDev with a capital injection of \$261,593 (RMB 1,689,000). The Company made the payment of \$ 78,478 (RMB 506,700) and \$ 183,115 (RMB 1,182,300) on August 26,2021 and September 23,2021, respectively.

On July 27, 2021, the Company sold 7% equity interest in CLPS Lihong to a third party for a consideration of \$650,497 (RMB4,200,000). After the transaction, the Company no longer holds any interest in CLPS Lihong.

On July 31, 2021, the Company entered into a purchase agreement with a third party to acquire an office property in Singapore for self-use at a consideration of \$4,644,243 (SGD6,247,900 million). The Company made the option payment of \$46,442 (SGD62,479) on the same day.

On August 1, 2021, the Company entered into an equity transfer and capital increase agreement with a third party shareholder of the target company, Fuson Group Limited (“Fuson”), to obtain 35.02% of equity interest in Fuson with a capital injection of \$157,743 (HKD1,225,000). The Company made the first payment of \$78,871 (HKD612,500) on August 16, 2021.

On August 12, 2021, the Company entered into a purchase agreement with a third party to purchase an office property in Hong Kong for self-use at a consideration of \$ 11,309,019 (HKD 88,000,000). The Company made the first payment of \$ 565,182 (HKD 4,400,000) and second payment of \$ 565,182 (HKD 4,400,000) on September 24, 2021and October 5,2021, respectively.

On August 16, 2021, the Company entered into a capital increase agreement with a third party shareholder of the target company, MSCT Investment Holdings Limited (“MSCT”), to obtain 53.33% of equity interest in MCST with a capital injection \$206,032 (HKD1,600,000). The Company made the payment of \$206,032 (HKD 1,600,000) on the same day.

### **Critical Accounting Policies**

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect our reported amount of assets, liabilities, revenue, costs and expenses, and any related disclosures. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. Accordingly, these are the policies we believe are the most critical to understanding and evaluating our consolidated financial condition and results of operations.

## **Revenue recognition**

Effective July 1, 2019, we adopted *Accounting Standards Update (ASU) 2014-09, Revenue from contracts with Customers (Topic 606)* (“ASC 606”) using the modified retrospective approach, which requires the recognition of a cumulative-effect adjustment to retained earnings as of the date of adoption and applies the adoption only to contracts not completed as of July 1, 2019. The cumulative effect of initially applying ASC 606 resulted in a decrease to opening retained earnings of \$138,644 as of July 1, 2019, with the impact primarily related to our customized IT solution services.

We provide a comprehensive range of IT services and solutions, which primarily are on a time-and-expense basis, or fixed-price basis. Revenue is recognized when control of promised goods or services is transferred to our customers in an amount of consideration to which an entity expects to be entitled to in exchange for those services.

### *Time-and-expense basis contracts*

The series of IT services are substantially the same from day to day, and each day of the service is considered to be distinct and separately identifiable as it benefits the customer daily. Further, the uncertainty related to the service consideration is resolved on a daily basis as we satisfy our obligation to perform IT service daily with enforceable right to payment for performance completed to date. Thus, revenue is recognized as service is performed and the customer simultaneously receives and consumes the benefits from the service daily.

### *Fixed-price basis contracts*

Revenues from fixed-price customized solution contracts require us to perform services for systems design, planning and integrating based on customers’ specific needs which requires significant production and customization. The required customization work period is generally less than one year. Upon delivery of the services, customer acceptance is generally required. In the same contract, we are generally required to provide post-contract customer support (“PCS”) for a period from three months to one year (“PCS period”) after the customized application is delivered. The type of service for PCS clause is generally not specified in the contract or stand-ready service on when-and-if-available basis.

There are two performance obligations identified in the fixed-price basis contracts: the delivery of customized IT solution service and the completion of the PCS. The transaction price is allocated between the two performance obligations based on the relative standalone selling price, estimated using the cost plus method.

We recognize revenue for the delivery of customized IT solution service at a point in time when the system is implemented and accepted by the customer. Where we have enforceable right to payment for performance completed to date, revenue is recognized over time, using the output method. Revenue for PCS is recognized ratably over time as the customer simultaneously receive and consume the benefits throughout the PCS period.

Differences between the timing of billings and the recognition of revenues are recorded as contract assets which is included in the prepayments, deposits and other assets, net, or contract liabilities on the consolidated balance sheets. Contract assets are classified as current assets and the full balance is reclassified to accounts receivables when the right to payment becomes unconditional.

Costs incurred in advance of revenue recognition arising from direct and incremental staff costs in respect of services provided under the fixed fee contracts according to the customer’s requirements prior to the delivery of services are recorded as deferred contract costs which is included in the prepayments, deposits and other assets, net on the consolidated balance sheets. Such deferred contract costs are recognized upon the recognition of the related revenues.

### *Other contracts*

Other contracts primarily comprise of the sale of consulting service or head-hunting service. Revenue for other contracts is recognized at a point in time when control transfers to the customer, which generally occurs when the service is accepted by customers.

### **Accounts receivable and allowance for doubtful accounts**

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when loss is probable. We determine the adequacy of a reserve for doubtful accounts based on individual account analysis and historical collection trends. We establish a provision for doubtful receivables when there is objective evidence that we may not be able to collect amounts due. The allowance is based on management's best estimates of specific losses on individual customer exposures, as well as the historical trends of collections. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. We regularly review the adequacy and appropriateness of the allowance for doubtful accounts.

### **Business combination**

We account for all business combinations under the purchase method of accounting in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"). The purchase method of accounting requires that the consideration transferred to be allocated to net assets including separately identifiable assets and liabilities we acquired, based on their estimated fair value. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of the cost of the acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the acquiree, the difference is recognized directly in the consolidated statements of comprehensive income (loss). We adopted Accounting Standards Update ("ASU") No. 2017-01, *Business Combinations (Topic 802): Clarifying the Definition of a Business*, in determining whether it has acquired a business from July 1, 2019 on a prospective basis and there was no material impact on the consolidated financial statements.

The determination and allocation of fair values to the identifiable net assets acquired, liabilities assumed and noncontrolling interest is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the acquiree's current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted cash flows over that period. Acquisition-related costs are recognized as general and administrative expenses in the consolidated statements of comprehensive income (loss) as incurred. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from forecasted amounts and the differences could be material.

### **Goodwill**

Goodwill represents the excess of the consideration over the fair value of the net assets acquired at the date of acquisition. Goodwill is not amortized but rather tested for impairment at least annually at the reporting unit level by applying a fair-value based test in accordance with accounting and disclosure requirements for goodwill. This test is performed by management annually or more frequently if we believe impairment indicators are present. We had only one reporting unit (that also represented our single operating segment) as of June 30, 2021 and 2020. Goodwill was allocated 100% to the single reporting unit as of June 30, 2021 and 2020. We have the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20, *Intangibles - Goodwill and Other*. If we believe, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations.

In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss in general and administrative expenses.

No impairment loss was provided for the years ended June 30, 2021, 2020 and 2019.

### **Impairment of long-lived assets**

We review our long-lived assets, other than goodwill, including property and equipment and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable in accordance with ASC Topic 360, *Property, Plant and Equipment*. When these events occur, we assess recoverability by comparing the carrying values of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amounts of the assets, we would recognize an impairment loss based on the excess of the carrying value over the fair value of the assets and record the impairment in earnings. Fair value is generally determined by discounting the cash flows expected to be generated by the asset, when the market prices are not readily available. The adjusted carrying amount of the asset becomes the new cost basis and depreciated over the asset's remaining useful life. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities for the purpose of the impairment testing.

No impairment loss was provided for the years ended June 30, 2021, 2020 and 2019.

## **Income taxes**

We account for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized, when it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

We account for uncertainties in income taxes in accordance with ASC Topic 740, *Income Taxes* (“ASC 740”). An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the consolidated statements of comprehensive income (loss) in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended June 30, 2021, 2020 and 2019. All of the tax returns of our subsidiaries in China remain subject to examination by the tax authorities for five years from the date of filing through year 2025, and the examination period was extended to 10 years for entities qualified as High and New Technology Enterprises (“HNTEs”) in 2018 and thereafter.

## **Warrants**

Equity-classified warrants are initially measured at the grant date fair value. Subsequent changes in fair value are not recognized as long as the contract continues to be classified in equity. We, with the assistance of an independent third-party valuation firm, used the Black-Scholes pricing model to estimate the fair value of warrants. The determination of estimated fair value of warrants on the grant date was mainly affected by the Company’s stock price as well as assumptions regarding a number of subjective variables. These variables include the Company’s expected stock price volatility over the expected term of the awards, a risk-free interest rate and any expected dividends.

## **Share-based payment**

We account for share-based payment in accordance with ASC Topic 718, *Compensation-Stock Compensation* (“ASC 718”). Share awards issued to employees and directors, including employee stock option plans (“ESOPs”) and restricted share units (“RSUs”) are measured at fair value at the grant date. We, with the assistance of an independent third-party valuation firm, determined the fair value of the share options granted to employees. We use the binomial lattice model to estimate the fair value of ESOPs, and uses the closing stock price at the grant date to measure the fair value of RSUs. We recognize compensation expenses, net of forfeitures, using the accelerated method over the requisite service periods.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting ESOPs and RSUs’ forfeitures and records share-based compensation expense only for those awards that are expected to vest.

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. We measure the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, we recognize incremental compensation cost in the period the modification occurred. For unvested awards, we recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

## **Recent Accounting Pronouncements**

The Jumpstart Our Business Startups Act (“JOBS Act”) provides that an emerging growth company (“EGC”) as defined therein can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would otherwise apply to private companies. We have adopted the extended transition period.

For detailed discussion on recent accounting pronouncements, please see Note 2 to our consolidated financial statements included elsewhere in this annual report.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and senior management

The following table sets forth our executive officers and directors, their ages and the positions held by them, as of the date of this Annual Report:

Name	Age	Position
Xiao Feng Yang	58	Chairman of the Board
Raymond Ming Hui Lin	57	Chief Executive Officer and Director
Rui Yang	38	Chief Financial Officer
Li Li	45	Chief Operating Officer
Jin He Shao <sup>(1)(4)</sup>	54	Independent Director
Zhao Hui Feng <sup>(3)</sup>	51	Independent Director
Kee Chong Seng <sup>(2)</sup>	69	Independent Director

(1) Chair of the Audit Committee.

(2) Chair of the Compensation Committee.

(3) Chair of the Nominating Committee.

(4) Audit Committee Financial Expert.

**Xiao Feng Yang** is the chairman of the board of the Company. Mr. Yang has over 20 years of executive management and operational experience in the IT services business. From October 2012 to August 2020, Mr. Yang served as chairman and president of CLPS. From April 2009 to October 2012, Mr. Yang served as deputy general manager of ADP China managing the service operations of HR BPO in China. Prior to 2002, Mr. Yang was the Human Resource Director of Phillips. Mr. Yang graduated from Tongji University, Shanghai, China, with a Bachelor's degree in electrical engineering. Mr. Yang received his MBA degree both from Shanghai University of Finance and Webster University (US).

**Raymond Ming Hui Lin**, is the chief executive officer and director of the Company. Mr. Lin joined CLPS in February 2009 as chief executive officer. From January 2008 to January 2009, Mr. Lin was a business consultant of VanceInfo. After VanceInfo acquired A-IT Software (Shanghai) Co. Ltd., Mr. Lin acted as the general manager of A-IT Software (Shanghai) Co. Ltd. from April 2002 to December 2007. Mr. Lin is an IT outsourcing service veteran with a deep understanding of IT talent acquisition, training, development and service delivery. He has developed and pioneered the first kind of training programs for mainframe and VisionPLUS (a credit card processing solution) in China, which has made CLPS as one of the largest mainframe resource powerhouse and the VisionPLUS project team in Greater China. In 2015, Mr. Lin became the MSE senior advisor in Fudan University, Shanghai, China.

**Rui Yang** is the chief financial officer of the Company effective as of December 17, 2020. From November 1, 2019 to December 16, 2020, Ms. Yang served as the Acting Chief Financial Officer of the Company. Ms. Yang has over 10 years of financial experiences in the financial and IT industry. Ms. Yang joined the Company in August 2015 as Vice President for finance controller. From December 2014 to August 2015, Ms. Yang served as financial analyst supervisor at Shanghai Origin International Logistics Co., Ltd. From February 2010 to July 2014, Ms. Yang served as senior financial analyst at Pactera Technology International Ltd. Ms. Yang holds a Bachelor's Degree in Management from Northwest Agriculture and Forestry University and a Master's Degree in Economics from Shanghai University of Finance and Economics. Ms. Yang holds the PRC Certified Public Accountant certificate.

**Li Li** is the chief operating officer of the Company. Mr. Li was appointed as the COO in June 2019. Mr. Li has 20 years of professional and IT experience in the financial and IT industry. From June 2017 to June 2019, Mr. Li served as Director, Head of Business Analysis & Quality Engineering at a major credit card payment processing company in China. From July 2013 to June 2017, Mr. Li served as Executive Manager, Head of Business Solution and Quality Assurance at Commonwealth Bank of Australia China. Mr. Li graduated from Tianjin University, Tianjin China, with a Bachelor's degree in Computer Science. Mr. Li holds MSE degree from Fu Dan University, Shanghai China.

**Jin He Shao** is an independent director of the Company. From January 2002 to present, Mr. Shao has been a partner at Shanghai Huajin Accounting & Consulting Professional Services. From August 1995 to December 2001, he served as senior tax manager at Phillips (China) Investment Co., Ltd. Mr. Shao received a joint MBA degree from Shanghai University of Finance & Economics and The Webster University. Mr. Shao holds the PRC equivalent of the CPA license. In addition, Mr. Shao attended Shanghai Grain College where he majored in finance and accounting, and STV University where he majored in auditing.

**Zhao Hui Feng** is an independent director of the Company. From March 2017 to present, Mr. Feng has been the general manager at Dalian Wanda Commercial Properties Co., Ltd. From February 2016 to March 2017, Mr. Feng served as the founder and chief executive officer at Shanghai Gold Education Data System Ltd., Co. From December 2013 to January 2016, Mr. Feng served as the general manager and chief operating officer at Beijing Zhide Chuanghui Network Technology Inc. Mr. Feng received a Master's Degree in Computer Science from Southern Illinois University and a Bachelor's Degree in Computer Science and Technology from the University of Science and Technology of China.

**Kee Chong Seng** is an independent director of the Company. Mr. Kee spent a career in the information technology industry, most recently as an operation manager at Citibank from 2003 until his full retirement in 2015.

None of the events listed in Item 401(f) of Regulation S-K has occurred during the past ten years that is material to the evaluation of the ability or integrity of any of our directors, director nominees or executive officers.

*Limitation on Liability and Other Indemnification Matters*

The Companies Law does not limit the extent to which Memorandum and Articles of Association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty of such directors or officers willful default of fraud. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

**B. Compensation**

**Executive Compensation**

The following table shows the annual compensation paid by us for the years ended June 30, 2021, 2020, and 2019.

<b>Name/principal position</b>	<b>Year</b>	<b>Salary</b>	<b>Equity Compensation</b>	<b>All Other Compensation</b>	<b>Total Paid</b>
Xiao Feng Yang, Chairman of the Board <sup>(1)</sup>	2021	\$ 99,445	\$ —	\$ —	\$ 99,445
	2020	\$ 112,762	\$ —	\$ —	\$ 112,762
	2019	\$ 102,827	\$ —	\$ —	\$ 102,827
Raymond Ming Hui Lin, CEO and Director <sup>(2)</sup>	2021	\$ 192,747	\$ —	\$ —	\$ 192,747
	2020	\$ 112,449	\$ —	\$ —	\$ 112,449
	2019	\$ 104,718	\$ —	\$ —	\$ 104,718
Rui Yang, CFO <sup>(3)</sup>	2021	\$ 75,742	\$ —	\$ —	\$ 75,742
	2020	\$ 64,839	\$ —	\$ —	\$ 64,839
	2019	\$ —	\$ —	\$ —	\$ —
Li Li, Chief Operating Officer <sup>(4)</sup>	2021	\$ 183,202	\$ —	\$ —	\$ 183,202
	2020	\$ 150,594	\$ —	\$ —	\$ 150,594
	2019	\$ —	\$ —	\$ —	\$ —

(1) Appointed Chairman effective as of December 9, 2017 and President effective from December 9, 2017 to August 19, 2020.

(2) Appointed Chief Executive Officer effective as of December 9, 2017.

(3) Appointed Chief Financial Officer effective as of December 17, 2020 and Acting Chief Financial Officer effective from November 1, 2019 to December 16, 2020.

(4) Appointed Chief Operating Officer effective as of June 2019.

Under Chinese law, we may only terminate employment agreements without cause and without penalty by providing notice of non-renewal one month prior to the date on which the employment agreement is scheduled to expire. If we fail to provide this notice or if we wish to terminate an employment agreement in the absence of cause, then we are obligated to pay the employee one month's salary for each year we have employed the employee. We are, however, permitted to terminate an employee for cause without penalty to our company, where the employee has committed a crime or the employee's actions or inactions have resulted in a material adverse effect to us.

#### *Compensation Committee Interlocks and Insider Participation*

None of our officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more officers serving as a member of our board of directors.

#### *Outstanding Equity Incentive Awards at Fiscal Year-End*

We have adopted a 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan is a stock-based compensation plan that provides for discretionary grants of, among others, stock options, stock awards and stock unit awards to key employees and directors of the Company. The purpose of the 2017 Plan is to recognize contributions made to our company and its subsidiaries by such individuals and to provide them with additional incentive to achieve the objectives of our Company. The Company granted an aggregate of 671,469 restricted shares ("RSUs") to key employees and directors under the 2017 Plan on July 12, 2018. No grants were made in fiscal 2018. The following is a summary of the 2017 Plan and is qualified by the full text of the 2017 Plan.

*Administration.* The 2017 Plan will be administered by our board of directors, or, once constituted, the Compensation Committee of the board of directors (we refer to body administering the 2017 Plan as the "Committee").

*Number of Shares of Common Shares.* The number of common shares that may be issued under the 2017 Plan is 2,210,000. Shares issuable under the 2017 Plan may be authorized but unissued shares or treasury shares. If there is a lapse, forfeiture, expiration, termination or cancellation of any award made under the 2017 Plan for any reason, the shares subject to the award will again be available for issuance. Any shares subject to an award that are delivered to us by a participant, or withheld by us on behalf of a participant, as payment for an award or payment of withholding taxes due in connection with an award will not again be available for issuance, and all such shares will count toward the number of shares issued under the 2017 Plan. The number of common shares issuable under the 2017 Plan is subject to adjustment, in the event of any reorganization, recapitalization, stock split, stock distribution, merger, consolidation, split-up, spin-off, combination, subdivision, consolidation or exchange of shares, any change in the capital structure of the company or any similar corporate transaction. In each case, the Committee has the discretion to make adjustments it deems necessary to preserve the intended benefits under the Plan. No award granted under the 2017 Plan may be transferred, except by will, the laws of descent and distribution.

*Eligibility.* All key employees and directors of the Company are eligible to receive awards under the 2017 Plan.

*Awards to Participants.* The 2017 Plan provides for discretionary awards of, among others, stock options, stock awards and stock unit awards to participants. Each award made under the Plan will be evidenced by a written award agreement specifying the terms and conditions of the award as determined by the Committee in its sole discretion, consistent with the terms of the 2017 Plan.

*Stock Options.* The Committee has the discretion to grant non-qualified stock options or incentive stock options to participants and to set the terms and conditions applicable to the options, including the type of option, the number of shares subject to the option and the vesting schedule; each option will expire ten years from the date of grant and no dividend equivalents may be paid with respect to stock options. The aggregate maximum number of shares as to which a Key Employee may receive Stock Options and Stock Appreciation Rights in any calendar year is 100,000, except that the aggregate maximum number of shares as to which a Key Employee may receive Stock Options and Stock Appreciation Rights in the calendar year in which such Key Employee begins employment with the Company or its Subsidiaries is 250,000.

*Stock Awards.* The Committee has the discretion to grant stock awards to participants. Shares granted under the 2017 Plan will be effective and exercisable as of the Company's completion of our initial public offering of its securities and other terms, restrictions and qualifications that may be set forth in the individual grant agreements. Stock awards will consist of common shares granted without any consideration from the participant or shares sold to the participant for appropriate consideration as determined by the Board. The number of shares awarded to each participant, and the restrictions, terms and conditions of the award, will be at the discretion of the Committee. Subject to the restrictions, a participant will be a shareholder with respect to the shares awarded to him or her and will have the rights of a shareholder with respect to the shares, including the right to vote the shares and receive dividends on the shares; provided that dividends otherwise payable on any performance-based stock award will be held by us and will be paid to the holder of the stock award only to the extent the restrictions on such stock award lapse, and the Committee in its discretion can accumulate and hold such amounts payable on any other stock awards until the restrictions on the stock award lapse. The aggregate maximum number of shares that may be used for Stock Awards, Stock Bonus Awards and or Stock Unit Awards that may be granted to any Key Employee in any calendar year is 250,000, or, in the event the award is settled in cash, an amount equal to the fair market value of such number of shares on the date on which the award is settled.

*Payment for Stock Options and Withholding Taxes.* The Committee may make one or more of the following methods available for payment of any award, including the exercise price of a stock option, and for payment of the minimum required tax obligation associated with an award: (i) cash; (ii) cash received from a broker-dealer to whom the holder has submitted an exercise notice together with irrevocable instructions to deliver promptly to us the amount of sales proceeds from the sale of the shares subject to the award to pay the exercise price or withholding tax; (iii) by directing us to withhold common shares otherwise issuable in connection with the award having a fair market value equal to the amount required to be withheld; and (iv) by delivery of previously acquired common shares that are acceptable to the Committee and that have an aggregate fair market value on the date of exercise equal to the exercise price or withholding tax, or certification of ownership by attestation of such previously acquired shares.

*Amendment of Award Agreements; Amendment and Termination of the Plan; Term of the Plan.* The Committee may amend any award agreement at any time, provided that no amendment may adversely affect the right of any participant under any agreement in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or stock exchange rule. The Board may terminate, suspend or amend the 2017 Plan, in whole or in part, from time to time, without the approval of the shareholders, unless such approval is required by applicable law, regulation or stock exchange rule, and provided that no amendment may adversely affect the right of any participant under any outstanding award in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or rule of any stock exchange on which the shares are listed. Notwithstanding the foregoing, neither the Plan nor any outstanding award agreement can be amended in a way that results in the repricing of a stock option. Repricing is broadly defined to include reducing the exercise price of a stock option or cancelling a stock option in exchange for cash, other stock options with a lower exercise price or other stock awards. No awards may be granted under the 2017 Plan on or after the tenth anniversary of the effective date of the 2017 Plan.

On July 12, 2018, the Board of Directors approved, upon a recommendation of the Compensation Committee, several restricted stock grants to the members of executive management and the Board of the Company pursuant to the terms of the Plan. Specifically, the Company granted an aggregate of 671,469 RSUs to key employees and directors under the Plan. No grants were made in fiscal 2018. RSUs granted to key employees and directors generally have a term of three years, but are subject to earlier termination in connection with termination of continuous service to the Company. RSUs are valid for a period of 10 years from July 12, 2018 to July 11, 2028. RSUs vest one-third per year over a three-year period, with the first one third vesting on the grant date. As at the grant date of July 12, 2018, the weighted-average fair value per share was \$12.22 and the estimated total fair value of the restricted shares granted was \$8.2 million. Our 2017 Plan was automatically terminated upon the 2020 Plan's taking effect.

We have adopted a 2019 Equity Incentive Plan (the "2019 Plan"). The 2019 Plan is a stock-based compensation plan that provides for discretionary grants of, among others, stock options, stock awards and stock unit awards to key employees and directors of the Company. The purpose of the 2019 Plan is to recognize contributions made to our company and its subsidiaries by such individuals and to provide them with additional incentive to achieve the objectives of our Company. The Company has granted no shares under the 2019 Plan yet. The following is a summary of the 2019 Plan and is qualified by the full text of the 2019 Plan.

*Administration.* The 2019 Plan will be administered by our board of directors, or, once constituted, the Compensation Committee of the board of directors (we refer to body administering the Plan as the "Committee").

*Number of Shares of Common Shares.* The number of common shares that may be issued under the 2019 Plan is 2,200,000. Shares issuable under the 2019 Plan may be authorized but unissued shares or treasury shares. If there is a lapse, forfeiture, expiration, termination or cancellation of any award made under the 2019 Plan for any reason, the shares subject to the award will again be available for issuance. Any shares subject to an award that are delivered to us by a participant, or withheld by us on behalf of a participant, as payment for an award or payment of withholding taxes due in connection with an award will not again be available for issuance, and all such shares will count toward the number of shares issued under the Plan. The number of common shares issuable under the Plan is subject to adjustment, in the event of any reorganization, recapitalization, stock split, stock distribution, merger, consolidation, split-up, spin-off, combination, subdivision, consolidation or exchange of shares, any change in the capital structure of the company or any similar corporate transaction. In each case, the Committee has the discretion to make adjustments it deems necessary to preserve the intended benefits under the 2019 Plan. No award granted under the 2019 Plan may be transferred, except by will, the laws of descent and distribution.

*Eligibility.* Selected employees, directors, and consultants of the Company are eligible to receive awards under the 2019 Plan.

*Awards to Participants.* The 2019 Plan provides for discretionary awards of, among others, stock options, stock awards, stock unit awards, or SAR to participants. Each award made under the 2019 Plan will be evidenced by a written award agreement specifying the terms and conditions of the award as determined by the Committee in its sole discretion, consistent with the terms of the 2019 Plan.

*Stock Options.* The Committee has the discretion to grant non-qualified stock options or incentive stock options to participants and to set the terms and conditions applicable to the options, including the type of option, the number of shares subject to the option and the vesting schedule; each option will expire ten years from the date of grant and no dividend equivalents may be paid with respect to stock options. The aggregate maximum number of shares as to which a Key Employee may receive Stock Options and Stock Appreciation Rights in any calendar year is 200,000, except that the aggregate maximum number of shares as to which a Key Employee may receive Stock Options and Stock Appreciation Rights in the calendar year in which such Key Employee begins employment with the Company or its Subsidiaries is 350,000.

*Stock Awards.* The Committee has the discretion to grant stock awards to participants. Shares granted under the 2019 Plan will be effective upon issuance, and other terms, restrictions and qualifications that may be set forth in the individual grant agreements. Stock awards will consist of common shares granted without any consideration from the participant or shares sold to the participant for appropriate consideration as determined by the Board. The number of shares awarded to each participant, and the restrictions, terms and conditions of the award, will be at the discretion of the Committee. Subject to the restrictions, a participant will be a shareholder with respect to the shares awarded to him or her and will have the rights of a shareholder with respect to the shares, including the right to vote the shares and receive dividends on the shares; provided that dividends otherwise payable on any performance-based stock award will be held by us and will be paid to the holder of the stock award only to the extent the restrictions on such stock award lapse, and the Committee in its discretion can accumulate and hold such amounts payable on any other stock awards until the restrictions on the stock award lapse.

*Stock Unit Awards.* The Committee has the discretion to grant stock unit awards to participants. Each stock unit award shall entitle the participant to receive, on the date or the occurrence of an event (including the attainment of performance goals), a share or cash equal to the fair market value of a share on the date of such event as provided in the stock unit award agreement. The number of share unit awards awarded to each participant, and the restrictions, terms and conditions of the award, will be at the discretion of the Committee. Unless otherwise set forth in the stock unit agreement, the participant receiving a stock unit award shall have no rights of a shareholder of the Company, including voting or dividends or other distributions rights, with respect to any stock units prior to the date they are settled in Shares.

*SARs.* The Committee may grant SARs to participants. Upon exercise, an SAR entitles the participant to receive from the Company the number of shares having an aggregate fair market value equal to the excess of the fair market value of one share as of the date on which the SAR is exercised over the exercise price, multiplied by the number of shares with respect to which the SAR is being exercised. The Committee, in its discretion, shall be entitled to cause the Company to elect to settle any part or all of its obligations arising out of the exercise of an SAR by the payment of cash in lieu of all or part of the shares it would otherwise be obligated to deliver in an amount equal to the fair market value of such shares on the date of exercise.

*Payment for Stock Options and Withholding Taxes.* The Committee may make one or more of the following methods available for payment of any award, including the exercise price of a stock option, and for payment of the minimum required tax obligation associated with an award: (i) cash; (ii) cash received from a broker-dealer to whom the holder has submitted an exercise notice together with irrevocable instructions to deliver promptly to us the amount of sales proceeds from the sale of the shares subject to the award to pay the exercise price or withholding tax; (iii) by directing us to withhold common shares otherwise issuable in connection with the award having a fair market value equal to the amount required to be withheld; and (iv) by delivery of previously acquired common shares that are acceptable to the Committee and that have an aggregate fair market value on the date of exercise equal to the exercise price or withholding tax, or certification of ownership by attestation of such previously acquired shares.

*Amendment of Award Agreements; Amendment and Termination of the Plan; Term of the Plan.* The Committee may amend any award agreement at any time, provided that no amendment may adversely affect the right of any participant under any agreement in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or stock exchange rule. The Board may terminate, suspend or amend the 2019 Plan, in whole or in part, from time to time, without the approval of the shareholders, unless such approval is required by applicable law, regulation or stock exchange rule, and provided that no amendment may adversely affect the right of any participant under any outstanding award in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or rule of any stock exchange on which the shares are listed. Notwithstanding the foregoing, neither the Plan nor any outstanding award agreement can be amended in a way that results in the repricing of a stock option. Repricing is broadly defined to include reducing the exercise price of a stock option or cancelling a stock option in exchange for cash, other stock options with a lower exercise price or other stock awards. No awards may be granted under the 2019 Plan on or after the tenth anniversary of the effective date of the 2019 Plan. Our 2019 Plan was automatically terminated upon the 2020 Plan's taking effect.

On April 3, 2020, our annual meeting of shareholders approved the 2020 Equity Incentive Plan (the "2020 Plan"). All of our employees, officers, and directors, and consultants are eligible to be granted options, restricted stock awards, stock unit awards, or stock appreciate rights (each, an "Award") under the 2020 Plan. The 2020 Plan is currently administered by the Board, which has all the power to administer the 2020 Plan according to its terms, including the power to grant Awards, determine who may be granted Awards and the types and amounts of Awards to be granted, prescribe Award agreements, and establish programs for granting Awards. Awards may be made under the 2020 Plan for up to 11,011,663 of our common shares. 1,119,750 restricted shares have been granted under the 2020 Plan as of today.

The 2020 Plan is a stock-based compensation plan that provides for discretionary grants of, among others, stock options, stock awards and stock unit awards to employees, directors and consultants of the Company. The purpose of the 2020 Plan is to recognize contributions made to our company and its subsidiaries by such individuals and to provide them with additional incentive to achieve the objectives of our Company. The following is a summary of the 2020 Plan and is qualified by the full text of the 2020 Plan.

*Administration.* The 2020 Plan will be administered by our board of directors, or, once constituted, the Compensation Committee of the board of directors (we refer to body administering the 2020 Plan as the “Committee”).

*Number of Shares of Common Shares.* The number of common shares that may be issued under the 2020 Plan is 11,011,663. Shares issuable under the 2020 Plan may be authorized but unissued shares or treasury shares. If there is a lapse, forfeiture, expiration, termination or cancellation of any award made under the 2020 Plan for any reason, the shares subject to the award will again be available for issuance. Any shares subject to an award that are delivered to us by a participant, or withheld by us on behalf of a participant, as payment for an award or payment of withholding taxes due in connection with an award will not again be available for issuance, and all such shares will count toward the number of shares issued under the 2020 Plan. The number of common shares issuable under the 2020 Plan is subject to adjustment, in the event of any reorganization, recapitalization, stock split, stock distribution, merger, consolidation, split-up, spin-off, combination, subdivision, consolidation or exchange of shares, any change in the capital structure of the company or any similar corporate transaction. In each case, the Committee has the discretion to make adjustments it deems necessary to preserve the intended benefits under the 2020 Plan. No award granted under the 2020 Plan may be transferred, except by will, the laws of descent and distribution.

*Eligibility.* All employees, directors, and consultants of the Company are eligible to receive awards under the 2020 Plan.

*Awards to Participants.* The Plan provides for discretionary awards of, among others, stock options, stock awards, stock unit awards and stock appreciation rights to participants. Each award made under the 2020 Plan will be evidenced by a written award agreement specifying the terms and conditions of the award as determined by the Committee in its sole discretion, consistent with the terms of the 2020 Plan.

*Stock Options.* The Committee has the discretion to grant non-qualified stock options or incentive stock options to participants and to set the terms and conditions applicable to the options, including the type of option, the number of shares subject to the option and the vesting schedule; each option will expire ten years from the date of grant and no dividend equivalents may be paid with respect to stock options. The aggregate maximum number of shares as to which an Employee may receive Stock Options and Stock Appreciation Rights in any calendar year is 800,000, except that the aggregate maximum number of shares as to which an Employee may receive Stock Options and Stock Appreciation Rights in the calendar year in which such Employee begins employment with the Company or its Subsidiaries is 1,000,000.

*Stock Awards.* The Committee has the discretion to grant stock awards to participants. Shares granted under the 2020 Plan will be effective and exercisable as of the Company’s completion of our initial public offering of its securities and other terms, restrictions and qualifications that may be set forth in the individual grant agreements. Stock awards will consist of common shares granted without any consideration from the participant or shares sold to the participant for appropriate consideration as determined by the Board. The number of shares awarded to each participant, and the restrictions, terms and conditions of the award, will be at the discretion of the Committee. Subject to the restrictions, a participant will be a shareholder with respect to the shares awarded to him or her and will have the rights of a shareholder with respect to the shares, including the right to vote the shares and receive dividends on the shares; provided that dividends otherwise payable on any performance-based stock award will be held by us and will be paid to the holder of the stock award only to the extent the restrictions on such stock award lapse, and the Committee in its discretion can accumulate and hold such amounts payable on any other stock awards until the restrictions on the stock award lapse. The aggregate maximum number of shares that may be used for Stock Awards, Stock Bonus Awards and or Stock Unit Awards that may be granted to any employee in any calendar year is 800,000 or, in the event the award is settled in cash, an amount equal to the fair market value of such number of shares on the date on which the award is settled.

*Stock Unit Awards.* The Committee may, in its discretion, grant stock unit awards to any participant. Each stock unit subject to the Award shall entitle the participant to receive, on the date or the occurrence of an event (including the attainment of performance goals) as described in the stock unit award agreement, a Share or cash equal to the fair market value of a Share on the date of such event as provided in the stock unit award agreement.

*Stock Appreciation Rights or SAR.* The Committee may grant SARs to participants. Upon exercise, an SAR entitles the participant to receive from the Company the number of Shares having an aggregate fair market value equal to the excess of the fair market value of one Share as of the date on which the SAR is exercised over the exercise price, multiplied by the number of Shares with respect to which the SAR is being exercised. The Committee, in its discretion, shall be entitled to cause the Company to elect to settle any part or all of its obligations arising out of the exercise of an SAR by the payment of cash in lieu of all or part of the Shares it would otherwise be obligated to deliver in an amount equal to the fair market value of such Shares on the date of exercise. Cash shall be delivered in lieu of any fractional Shares. The terms and conditions of any such Award shall be determined at the time of grant.

*Payment for Stock Options and Withholding Taxes.* The Committee may make one or more of the following methods available for payment of any award, including the exercise price of a stock option, and for payment of the minimum required tax obligation associated with an award: (i) cash; (ii) cash received from a broker-dealer to whom the holder has submitted an exercise notice together with irrevocable instructions to deliver promptly to us the amount of sales proceeds from the sale of the shares subject to the award to pay the exercise price or withholding tax; (iii) by directing us to withhold common shares otherwise issuable in connection with the award having a fair market value equal to the amount required to be withheld; and (iv) by delivery of previously acquired common shares that are acceptable to the Committee and that have an aggregate fair market value on the date of exercise equal to the exercise price or withholding tax, or certification of ownership by attestation of such previously acquired shares.

*Amendment of Award Agreements; Amendment and Termination of the 2020 Plan; Term of the 2020 Plan.* The Committee may amend any award agreement at any time, provided that no amendment may adversely affect the right of any participant under any agreement in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or stock exchange rule. The Board may terminate, suspend or amend the 2020 Plan, in whole or in part, from time to time, without the approval of the shareholders, unless such approval is required by applicable law, regulation or stock exchange rule, and provided that no amendment may adversely affect the right of any participant under any outstanding award in any material way without the written consent of the participant, unless such amendment is required by applicable law, regulation or rule of any stock exchange on which the shares are listed. Notwithstanding the foregoing, neither the 2020 Plan nor any outstanding award agreement can be amended in a way that results in the repricing of a stock option. Repricing is broadly defined to include reducing the exercise price of a stock option or cancelling a stock option in exchange for cash, other stock options with a lower exercise price or other stock awards. No awards may be granted under the 2020 Plan on or after the tenth anniversary of the effective date of the 2020 Plan.

## **Director Compensation**

All directors hold office until the next annual meeting of shareholders until their successors have been duly elected and qualified. There are no family relationships among our directors or executive officers. Officers are elected by and serve at the discretion of the Board of Directors. Employee directors do not receive any compensation for their services. Non-employee directors are entitled to receive \$1,500 per month for serving as directors and may receive option grants from our company.

## Employment Agreements

### *Xiao Feng Yang Employment Agreement*

On December 9, 2017, we entered into an employment agreement with Xiao Feng Yang pursuant to which he agreed to serve as our President. The agreement provides for an annual base salary of RMB144,000 and HK\$566,472 (a total of approximately USD94,100) payable in accordance with the Company's ordinary payroll practices. Under the terms of the agreement, commencing with the year ended June 30, 2018, Mr. Yang will be entitled to receive an annual cash bonus the extent and timing of which are to be determined by the Company's Compensation Committee; Mr. Yang is also entitled to reimbursement of reasonable expenses, and vacation, sick leave, health and other benefits customary to the agreements of this nature. This employment agreement was automatically terminated upon Mr. Yang's resignation in August 2020. The Company has paid Mr. Yang any unpaid portion of his salary through the date of his termination, and any unpaid bonus through the date of termination, as well as any unpaid or unused portions of his benefits under the employment agreement.

### *Raymond Ming Hui Lin Employment Agreement*

On December 9, 2017, we entered into an employment agreement with Raymond Ming Hui Lin pursuant to which he agreed to serve as our Chief Executive Officer. The agreement provides for an annual base salary of RMB144,000 and HK\$389,880 (a total of approximately USD71,400) payable in accordance with the Company's ordinary payroll practices. Under the terms of the agreement, commencing with the year ended June 30, 2018, Raymond Ming Hui Lin will be entitled to receive an annual cash bonus the extent and timing of which are to be determined by the Company's Compensation Committee; he is also entitled to reimbursement of reasonable expenses, and vacation, sick leave, health and other benefits customary to the agreements of this nature. The term of the agreement shall expire on December 8, 2022, which term will automatically extend for additional 12 month periods unless a party to the agreement terminates it upon 90 days' notice. If the executive's employment with the Company is terminated for any reason, the Company will pay to such executive any unpaid portion of his salary through the date of his termination, and any unpaid bonus through the date of termination, as well as any unpaid or unused portions of his benefits under the agreement. If his employment is terminated at our election without "cause" (as defined in the agreement), which requires 30 days' advanced notice, or by him for "good reason" (as defined in the agreement), Raymond Ming Hui Lin shall be entitled to receive severance payments equal to 9 months' of his base salary and a pro rata portion of his target annual bonus for the year when termination occurs. Raymond Ming Hui Lin has agreed not to compete with us for 9 months after the termination of his employment; he also executed certain non-solicitation, confidentiality and other covenants customary for agreements of this nature.

### *Rui Yang Employment Agreement*

On November 1, 2019, we entered into an employment agreement with Rui Yang pursuant to which she agreed to serve as our Acting Chief Financial Officer. Ms. Yang was appointed as Chief Financial Officer effective as of December 17, 2020. The agreement provides for an annual salary of RMB420,000 (a total of approximately USD60,000) payable in accordance with the Company's ordinary payroll practices. Under the terms of the agreement, commencing with the year ended June 30, 2020, Ms. Yang will be entitled to receive an annual cash bonus the extent and timing of which are to be determined by the Company's Compensation Committee; she is also entitled to reimbursement of reasonable expenses, and vacation, sick leave, health and other benefits customary to the agreements of this nature. The term of the agreement shall expire on October 2024, which term will automatically extend for additional 12 month periods unless a party to the agreement terminates it upon 90 days' notice. If the executive's employment with the Company is terminated for any reason, the Company will pay to such executive any unpaid portion of her salary through the date of her termination, and any unpaid bonus through the date of termination, as well as any unpaid or unused portions of her benefits under the agreement. If her employment is terminated at our election without "cause" (as defined in the agreement), which requires 30 days' advanced notice, or by her for "good reason" (as defined in the agreement), Rui Yang shall be entitled to receive severance payments equal to 9 months' of her base salary and a pro rata portion of her target annual bonus for the year when termination occurs. Rui Yang has agreed not to compete with us for 9 months after the termination of her employment; she also executed certain non-solicitation, confidentiality and other covenants customary for agreements of this nature.

### *Li Li Employment Agreement*

On June 2019, we entered into an employment agreement with Li Li pursuant to which he agreed to serve as our Chief Operating Officer. The agreement provides an annual salary of RMB 360,000 and HK\$273,600 (approximately US\$85,200) and 12,000 shares of common stock to be granted in June 2020. Under the terms of the agreement, commencing with the year ended June 30, 2019, Li Li will be entitled to receive an annual cash bonus the extent and timing of which are to be determined by the Company's Compensation Committee; he is also entitled to reimbursement of reasonable expenses, and vacation, sick leave, health and other benefits customary to the agreements of this nature. The term of the agreement shall expire on June 2022; which term will automatically extend for additional 12 month periods unless a party to the agreement terminates it upon 90 days' notice. If the executive's employment with the Company is terminated for any reason, the Company will pay to such executive any unpaid portion of his salary through the date of his termination, and any unpaid bonus through the date of termination, as well as any unpaid or unused portions of his benefits under the agreement. If his employment is terminated at our election without "cause" (as defined in the agreement), which requires 30 days' advanced notice, or by him for "good reason" (as defined in the agreement), Li Li shall be entitled to receive severance payments equal to 9 months' of his base salary and a pro rata portion of his target annual bonus for the year when termination occurs. Li Li has agreed not to compete with us for 9 months after the termination of his employment; he also executed certain non-solicitation, confidentiality and other covenants customary for agreements of this nature.

## **C. Board Practices**

### *Composition of Board; Risk Oversight*

Our Board of Directors presently consists of 5 directors. Pursuant to our Memorandum and Articles of Association, our officers will be elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by resolution of our shareholders. A director will be removed from office automatically if, among other things, the director becomes bankrupt or makes any arrangement or composition with his creditors, or becomes physically or mentally incapable of acting as director. Except as noted above, there are no family relationships between any of our executive officers and directors. Officers are elected by, and serve at the discretion of, the board of directors. Our board of directors shall hold meetings on at least a quarterly basis.

Under the NASDAQ rules we are only required to maintain a board of directors comprised of at least 50% independent directors, and an audit committee of at least two members, comprised solely of independent directors who also meet the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. There are no membership qualifications for directors. Further, there are no share ownership qualifications for directors unless so fixed by us in a general meeting. There are no other arrangements or understandings pursuant to which our directors are selected or nominated.

There is no formal requirement under the Company's memorandum and articles of association mandating that we hold an annual meeting of our shareholders. However, notwithstanding the foregoing, we intend to hold such annual meetings to, among other things, elect our directors. We plan to hold our next annual shareholders meeting on the first quarter of 2022.

While it may be deemed a “controlled company” under the NASDAQ Marketplace Rules (specifically, as defined in Rule 5615(c)), the Company does not intend to avail itself of the corporate governance exemptions afforded to a controlled company under the NASDAQ Marketplace Rules. Similarly, the Company intends to comply with all applicable NASDAQ corporate governance requirements irrespective of its “foreign private issuer” status.

Our board plays a significant role in our risk oversight. The board makes all relevant Company decisions. As such, it is important for us to have our Chief Executive Officer serve on the board as he plays key roles in the risk oversight of the Company. As a company with a small board of directors, we believe it is appropriate to have the involvement and input of all of our directors in risk oversight matters.

#### *Director Independence*

Our board has reviewed the independence of our directors, applying the NASDAQ independence standards. Based on this review, the board determined that each of Zhao Hui Feng, Jin He Shao, and Kee Chong Seng are “independent” within the meaning of the NASDAQ rules. In making this determination, our board considered the relationships that each of these non-employee directors has with us and all other facts and circumstances our board deemed relevant in determining their independence. As required under applicable NASDAQ rules, we anticipate that our independent directors will meet on a regular basis as often as necessary to fulfill their responsibilities, including at least annually in executive session without the presence of non-independent directors and management.

#### *Board Committees*

Currently, three committees have been established under the board: the Audit Committee, the Compensation Committee and the Nominating Committee.

The Audit Committee is responsible for overseeing the accounting and financial reporting processes of our company and audits of the financial statements of our company, including the appointment, compensation and oversight of the work of our independent auditors. The Compensation Committee of the board of directors reviews and makes recommendations to the board regarding our compensation policies for our officers and all forms of compensation, and also administers our incentive compensation plans and equity-based plans (but our board retains the authority to interpret those plans). The Nominating Committee of the board is responsible for the assessment of the performance of the board, considering and making recommendations to the board with respect to the nominations or elections of directors and other governance issues. The nominating committee considers diversity of opinion and experience when nominating directors.

## **Audit Committee**

The Audit Committee will be responsible for, among other matters:

- appointing, compensating, retaining, evaluating, terminating, and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm the independence of its members from its management;
- reviewing with our independent registered public accounting firm the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC;
- reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls, and compliance with legal and regulatory requirements;
- coordinating the oversight by our board of directors of our code of business conduct and our disclosure controls and procedures
- establishing procedures for the confidential and or anonymous submission of concerns regarding accounting, internal controls or auditing matters; and
- reviewing and approving related-party transactions.

Our Audit Committee consists of Zhao Hui Feng, Jin He Shao, and Kee Chong Seng, with Mr. Shao serving as chair of the Audit Committee. Our board has affirmatively determined that each of the members of the Audit Committee meets the definition of “independent director” for purposes of serving on an Audit Committee under Rule 10A-3 of the Exchange Act and NASDAQ rules. In addition, our board has determined that Mr. Shao qualifies as an “audit committee financial expert” as such term is currently defined in Item 407(d)(5) of Regulation S-K and meets the financial sophistication requirements of the NASDAQ rules.

## **Compensation Committee**

The Compensation Committee will be responsible for, among other matters:

- reviewing and approving, or recommending to the board of directors to approve the compensation of our CEO and other executive officers and directors;
- reviewing key employee compensation goals, policies, plans and programs;
- administering incentive and equity-based compensation;
- reviewing and approving employment agreements and other similar arrangements between us and our executive officers; and
- appointing and overseeing any compensation consultants or advisors.

Our Compensation Committee consists of Zhao Hui Feng, Jin He Shao, and Kee Chong Seng, with Mr. Kee serving as chair of the Compensation Committee. Our board has affirmatively determined that each of the members of the Compensation Committee meets the definition of “independent director” for purposes of serving on Compensation Committee under NASDAQ rules.

## Nominating Committee

The Nominating Committee will be responsible for, among other matters:

- selecting or recommending for selection candidates for directorships;
- evaluating the independence of directors and director nominees;
- reviewing and making recommendations regarding the structure and composition of our board and the board committees;
- developing and recommending to the board corporate governance principles and practices;
- reviewing and monitoring the Company’s Code of Business Conduct and Ethics; and
- overseeing the evaluation of the Company’s management

Our Nominating Committee consists of consists of Zhao Hui Feng, Jin He Shao, and Kee Chong Seng, with Mr. Feng serving as chair of the Nominating Committee. Our board has affirmatively determined that each of the members of the Nominating Committee meets the definition of “independent director” for purposes of serving on a Nominating Committee under NASDAQ rules.

### *Duties of Directors*

Under Cayman Islands law, our directors have a duty to act honestly, in good faith and with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. We have the right to seek damages if a duty owed by our directors is breached. The functions and powers of our board of directors include, among others:

- appointing officers and determining the term of office of the officers;
- authorizing the payment of donations to religious, charitable, public or other bodies, clubs, funds or associations as deemed advisable;
- exercising the borrowing powers of the company and mortgaging the property of the company;
- executing checks, promissory notes and other negotiable instruments on behalf of the company; and
- maintaining or registering a register of mortgages, charges or other encumbrances of the company.

A director may vote, attend a board meeting or sign a document on our behalf with respect to any contract or transaction in which he or she is interested. A director must promptly disclose the interest to all other directors after becoming aware of the fact that he or she is interested in a transaction we have entered into or are to enter into. A general notice or disclosure to the board or otherwise contained in the minutes of a meeting or a written resolution of the board or any committee of the board that a director is a shareholder, director, officer or trustee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company will be sufficient disclosure, and, after such general notice, it will not be necessary to give special notice relating to any particular transaction.

The directors may receive such remuneration as our board of directors may determine from time to time. Each director is entitled to be repaid or prepaid for all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our board of directors or committees of our board of directors or shareholder meetings or otherwise in connection with the discharge of his or her duties as a director. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors. Our board of directors may exercise all the powers of the company to borrow money and to mortgage or charge our undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party.

A director is not required to hold shares as a qualification to office.

## **D. Employees**

The table below provides information as to the total number of employees at the end of the last three fiscal years. We have no contracts or collective bargaining agreements with labor unions and have never experienced work stoppages due to labor dispute. We consider our relations with our employees to be good.

	2019	2020	2021
Number of Employees	2,085	2,746	3,352

## **E. Share Ownership**

See Item 7 below.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major shareholders**

The following table sets forth certain information regarding beneficial ownership of our shares by each person who is known by us to beneficially own more than 5% of our shares. The table also identifies the share ownership of each of our directors, each of our named executive officers, and all directors and officers as a group. Except as otherwise indicated, the shareholders listed in the table have sole voting and investment powers with respect to the shares indicated. Our major shareholders do not have different voting rights than any other holder of our shares.

We have determined beneficial ownership in accordance with the rules of the SEC. Under such rules, beneficial ownership includes any shares over which the individual has sole or shared voting power or investment power as well as any shares that the individual has the right to subscribe for within 60 days of September 18, 2018 through the exercise of any warrants or other rights. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power or the power to receive the economic benefit with respect to all common shares that they beneficially own, subject to applicable community property laws. None of the stockholders listed in the table are a broker-dealer or an affiliate of a broker dealer. None of the stockholders listed in the table are located in the United States and none of the common shares held by them are located in the United States. Applicable percentage ownership is based on 20,400,820 common shares outstanding as of September 24, 2021. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o CLPS Incorporation, c/o Unit 1102, 11th Floor, Millennium City III, 370 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong SAR.

<b>Name of Beneficial Owner</b>	<b>Common Shares</b>	<b>Ownership% (1)</b>
Xiao Feng Yang (2)(7)	5,493,773	26.93%
Raymond Ming Hui Lin (3)(6)(7)	6,034,084	29.58%
Rui Yang (4)(6)	126,568	*
Li Li(6)(8)	235,809	1.16%
Jin He Shao (5)(7)	7,000	*
Kee Chong Seng	5,000	*
Zhao Hui Feng	4,000	*
<b>All directors and executive officers as a group (6 persons)</b>	<b>11,906,234</b>	<b>58.36%</b>
Qinrui Ltd. (2)	4,976,000	24.39%
Qinhui Ltd. (3)	4,999,996	24.51%
<b>5% or greater beneficial owners as a group</b>	<b>9,975,996</b>	<b>48.90%</b>

\* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the common shares or the power to receive the economic benefit of the common shares.

- (2) A British Virgin Islands corporation with the mailing address of c/o Vistra Corporate Services Centre, Wickham's Cay II, Road Town, Tortola, VG 1110, British Virgin Islands, with Xiao Feng Yang as its sole shareholder. As such, Mr. Yang is deemed to be the owner of all shares of the Company held by this entity. Also includes the vested portion of the restricted stock granted dated as of July 12, 2018. The total grant of 220,823 common shares vests in three equal installments, with the first installment vesting upon grant, and the second and third – on the first and second anniversary of the grant. Represents vested portion of the restricted stock granted dated as of May 6, 2020. The total grant of 250,000 common shares vests in whole immediately on the grant date of award. Represents vested portion of the restricted stock granted dated as of November 6, 2020. The total grant of 80,000 common shares and 30% vests immediately on the grant date of award, the rest 70% vests on May 6, 2021. Represents vested portion of the restricted stock granted dated as of May 7, 2021. The total grant of 20,000 common shares vests in whole immediately on the grant date of award. Represents vested portion of the restricted stock granted dated as of August 23, 2021. The total grant of 50,000 common shares and vest immediately on the grant date of award.
- (3) A British Virgin Islands corporation with the mailing address of c/o Vistra Corporate Services Centre, Wickham's Cay II, Road Town, Tortola, VG 1110, British Virgin Islands, with Raymond Ming Hui Lin as its sole shareholder. As such, Mr. Lin is deemed to be the owner of all shares of the Company held by this entity. Also includes the vested portion of the restricted stock granted dated as of July 12, 2018. The total grant of 220,823 common shares vests in three equal installments, with the first installment vesting upon grant, and the second and third – on the first and second anniversary of the grant. Represents vested portion of the restricted stock granted dated as of May 6, 2020. The total grant of 250,000 common shares vests in whole immediately on the grant date of award. Represents vested portion of the restricted stock granted dated as of November 6, 2020. The total grant of 80,000 common shares and 30% vests immediately on the grant date of award, the rest 70% vests on May 6, 2021. Represents vested portion of the restricted stock granted dated as of May 7, 2021. The total grant of 520,000 common shares vests in whole immediately on the grant date of award. Represents vested portion of the restricted stock granted dated as of August 23, 2021. The total grant of 350,000 common shares and 50,000 vest immediately on the grant date of award, the rest will vest on May 23, 2022.
- (4) Represents 17,793 shares, which she purchased prior to the Company's IPO, and the vested portion of the restricted stock granted dated as of May 6, 2020. The total grant of 50,000 common shares vests in whole immediately on the grant date of award. Represents vested portion of the restricted stock granted dated as of June, 24, 2020. The total grant of 12,000 common shares vested in whole on November 1, 2020. Represents vested portion of the restricted stock granted dated as of November 6, 2020. The total grant of 50,000 common shares and 30% vests immediately on the grant date of award, the rest 70% vests on May 6, 2021. Represents vested portion of the restricted stock granted dated as of May 7, 2021. The total grant of 20,000 common shares vests in whole immediately on the grant date of award.
- (5) Represents vested portion of the restricted stock granted dated as of July 12, 2018. The total grant of 3,000 common shares vests in three equal installments, with the first installment vesting upon grant, and the second and third – on the first and second anniversary of the grant.
- (6) Executive officer.
- (7) Director.
- (8) The total grant of 12,000 common shares vests in one year after the date of award. Represents vested portion of the restricted stock granted dated as of May 6, 2020. The total grant of 100,000 common shares vests in whole immediately on the grant date of award. Represents vested portion of the restricted stock granted dated as of June, 24, 2020. The total grant of 12,000 common shares vested in whole on June 11, 2021. Represents vested portion of the restricted stock granted dated as of November 6, 2020. The total grant of 150,000 common shares and 30% vests immediately on the grant date of award, the rest 70% vests on May 6, 2021. Represents vested portion of the restricted stock granted dated as of May 7, 2021. The total grant of 20,000 common shares vests in whole immediately on the grant date of award.

As of September 24, 2021, there were 12 holders of record entered in our share register, of which no holders were U.S. residents. The number of individual holders of record is based exclusively upon our share register and does not address whether a share or shares may be held by the holder of record on behalf of more than one person or institution who may be deemed to be the beneficial owner of a share or shares in our company. To our knowledge, no other shareholder beneficially owns more than 5% of our shares. Our company is not owned or controlled directly or indirectly by any government or by any corporation or by any other natural or legal person severally or jointly. Our major shareholders do not have any special voting rights.

## B. Related Party Transactions

The following is a description of transactions since July 1, 2019, and to which any of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

### Other related party transactions:

#### (a) Related party balances

The balances due to and due from related parties were as follows:

	<u>As of June 30,</u>	
	<u>2021</u>	<u>2020</u>
Due from related parties:		
Mr. Raymond Ming Hui Lin	-	169,185
Noncontrolling interest shareholder of JAJI China- Beijing Bright Technology Co., Ltd (“Beijing Bright”)	393,761	-
Equity investee of the Company-EMIT	152,367	-
Total	\$ 546,128	\$ 169,185
Due to related parties:		
Equity investee of the Company-EMIT	183,148	-
Total	<u>183,148</u>	<u>-</u>

Due from related parties mainly represents, advances to the Company’s CEO and prepaid expenses to the noncontrolling interest shareholder of JAJI China.

Due to related parties mainly represents subcontracting cost to be paid to the equity investee-EMIT and expenses paid by the Company’s CEO on behalf of the Company.

(b) Related party transactions

	For the year ended,		
	2021	2020	2019
<b>a) Consulting services provided to the related parties</b>			
CareerWin	\$ -	\$ 165,161	\$ -
CLPS Lihong	269,472	-	-
	<u>\$ 269,472</u>	<u>\$ 165,161</u>	<u>\$ -</u>
<b>b) Services provided by the related parties</b>			
CareerWin		195,817	
Beijing Bright	\$ 604,033	\$ 165,040	\$ -
EMIT	758,976	209,318	-
	<u>\$ 1,363,009</u>	<u>\$ 570,175</u>	<u>\$ -</u>
<b>c) Loans provided to the related parties</b>			
CLPS Lihong	\$ -	\$ 149,341	\$ 820,982
EMIT	151,783	28,446	-
	<u>\$ 151,783</u>	<u>\$ 177,787</u>	<u>\$ 820,982</u>
<b>d) Repayment of loans from the related parties</b>			
CLPS Lihong	\$ -	\$ 149,341	\$ 820,982
EMIT	-	28,446	-
	<u>\$ -</u>	<u>\$ 177,787</u>	<u>\$ 820,982</u>
<b>e) Interest income received from the related party</b>			
CLPS Lihong	-	2,328	\$ 33,096
	<u>-</u>	<u>2,328</u>	<u>33,096</u>

The CEO, the wife of the CEO, Chairman, and the wife of Chairman of the Company provided joint guarantee to the revolving credit facility entered by the Company with China Merchants Bank on June 22, 2018 and December 17, 2019. The credit facility agreement was ended as of June 30, 2021.

Srustijeet Mishra, the noncontrolling interest shareholder of Ridik Pte. provided guarantee to a credit facility up to \$86,071 (SGD 120,000) entered by the Company with Development Bank of Singapore on April 20, 2018. The credit facility agreement was ended as of June 30, 2021.

**C. Interests of Experts and Counsel**

Not required.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information.**

See Item 18 for our audited consolidated financial statements.

**Legal Proceedings**

We are currently not involved in any legal proceedings; nor are we aware of any claims that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

**Dividend Policy**

The holders of shares of our common shares are entitled to dividends out of funds legally available when and as declared by our board of directors. Our board of directors has never declared a dividend and does not anticipate declaring a dividend in the foreseeable future. Should we decide in the future to pay dividends, as a holding company, our ability to do so and meet other obligations depends upon the receipt of dividends or other payments from our operating subsidiary and other holdings and investments. In addition, the operating companies may, from time to time, be subject to restrictions on their ability to make distributions to us, including as a result of restrictive covenants in loan agreements, restrictions on the conversion of local currency into U.S. dollars or other hard currency and other regulatory restrictions. In the event of our liquidation, dissolution or winding up, holders of our common shares are entitled to receive, ratably, the net assets available to shareholders after payment of all creditors.

**B. Significant Changes**

Except as disclosed elsewhere in this Annual Report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this Annual Report.

**ITEM 9. THE OFFER AND LISTING****A. Offer and Listing Details**

The following table sets forth, for the calendar months indicated and through June 30, 2021, the monthly high and low sale prices for our shares, as reported on NASDAQ Stock Market. The closing price for the Company's securities on October 8, 2021 was \$2.94 per share.

	Shares	
	High	Low
<b>Monthly Highs and Lows</b>		
June 2021	\$ 4.58	\$ 3.92
July 2021	\$ 4.26	\$ 3.65
August 2021	\$ 3.81	\$ 2.91
September 2021	\$ 3.52	\$ 2.73

**B. Plan of Distribution**

Not Applicable.

**C. Markets**

Our shares have been listed on the NASDAQ Stock Market under the symbol CLPS since May 24, 2018 following the completion of our initial public offering.

**D. Selling Shareholders**

Not Applicable.

**E. Dilution**

Not Applicable.

**F. Expenses of the Issue**

Not Applicable.

**ITEM 10. ADDITIONAL INFORMATION****A. Share Capital**

Not Applicable.

**B. Memorandum and Articles of Association**

The information required by Item 10.B of Form 20-F is included in the section titled "Description of Share Capital" in our Registration Statement on Form F-1 initially filed with the SEC on March 27, 2018, and subsequently updated (File No.: 333-223956), which section is incorporated herein by reference.

**C. Material Contracts**

The information required by Item 10.B of Form 20-F is included in the sections titled "Our Business," "Directors and Executive Officers," "Related Party Transactions," and "Underwriting" in our Registration Statement on Form F-1 initially filed with the SEC on March 27, 2018, and subsequently updated (File No.: 333-223956), which section is incorporated herein by reference.

**D. Exchange controls**

Under Cayman Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our shares.

## **E. Taxation**

*The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our common shares is based upon laws and relevant interpretations thereof in effect as of the date of this Annual Report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our common shares, such as the tax consequences under state, local and other tax laws.*

### **Cayman Islands Taxation**

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by the Company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

### **Material PRC Income Tax Considerations**

Under the new EIT Law and the Implementing Rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC is considered as a resident enterprise and will be subject to a PRC income tax on its global income. According to the Implementing Rules, “de facto management bodies” refer to “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” Accordingly, our holding company may be considered a resident enterprise and may therefore be subject to a PRC income tax on our global income. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those invested in by individuals or foreign enterprises, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or controlled by or invested in by individuals or foreign enterprises. If we are considered a resident enterprise and earn income other than dividends from our PRC subsidiary, such PRC income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

If the PRC tax authorities determine that CLPS Incorporation or any of our subsidiaries outside of China is a “resident enterprise” for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, CLPS Incorporation or any of our subsidiaries outside of China may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as PRC enterprise income tax reporting obligations. Second, under the EIT Law and its implementing rules, dividends paid between “qualified resident enterprises” are exempt from enterprise income tax.

If CLPS Incorporation or any of our subsidiaries outside of China were treated as a PRC “non-resident enterprise” under the EIT Law, then dividends that it receives from its PRC operating subsidiary (assuming such dividends were considered sourced within the PRC) (1) may be subject to a 5% PRC withholding tax, if the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “PRC - Hong Kong Tax Treaty”) were applicable, or (2) if such treaty does not apply (i.e., because the PRC tax authorities may deem the Hong Kong enterprise to be a conduit not entitled to treaty benefits), may be subject to a 10% PRC withholding tax. Any such taxes on dividends could materially reduce the amount of dividends, if any, we could pay to its shareholders.

Finally, the new “resident enterprise” classification could result in a situation in which a 10% PRC tax is imposed on dividends we pay to its non-PRC shareholders that are not PRC tax “resident enterprises” and gains derived by them from transferring our common shares or warrants, if such income is considered PRC-sourced income by the relevant PRC authorities. In such event, we may be required to withhold the 10% PRC tax on any dividends paid to its non-PRC resident shareholders. Our non-PRC resident shareholders also may be responsible for paying PRC tax at a rate of 10% on any gain realized from the sale or transfer of common shares or warrants in certain circumstances. We would not, however, have an obligation to withhold PRC tax with respect to such gain. If any such PRC taxes apply, a non-PRC resident shareholder may be entitled to a reduced rate of PRC taxes under an applicable income tax treaty and or a foreign tax credit against such shareholder’s domestic income tax liability (subject to applicable conditions and limitations). Prospective investors should consult with their own tax advisors regarding the applicability of any such taxes, the effects of any applicable income tax treaties, and any available foreign tax credits.

## General

The following is a summary of the material U.S. federal income tax consequences of owning and disposing of our ordinary shares. The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to a beneficial owner of our shares that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a beneficial owner of our shares is not described as a U.S. Holder in one of the four bullet points above and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such owner will be considered a “Non-U.S. Holder.”

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to us or to any particular holder of our shares based on such holder’s individual circumstances. In particular, this discussion considers only holders that own our shares as capital assets within the meaning of Section 1221 of the Code. This discussion also does not address the potential application of the alternative minimum tax or the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- taxpayers who have elected mark-to-market accounting;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- certain expatriates or former long-term residents of the United States;

- persons that actually or constructively own 5% or more of our voting shares;
- persons that acquired our shares pursuant to the exercise of employee stock options, in connection with employee stock incentive plans or otherwise as compensation;
- persons that hold our shares as part of a straddle, constructive sale, hedging, conversion or other integrated transaction; or
- persons whose functional currency is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, or state, local or non-U.S. tax laws. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our securities through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distribution made (or deemed made) in respect of our shares and any consideration received (or deemed received) by a holder in connection with the sale or other disposition of such shares will be in U.S. dollars.

We have not sought, and will not seek, a ruling from the Internal Revenue Service (or “IRS”), or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with one or more aspects of the discussion herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER OF OUR SECURITIES MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, EACH HOLDER OF OUR SECURITIES IS URGED TO CONSULT WITH ITS TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF OUR SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND APPLICABLE TAX TREATIES.

#### **Tax Consequences to U.S. Holders of Common Shares**

##### ***Taxation of Distributions Paid on Common Shares***

Subject to the passive foreign investment company (or “PFIC”), rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our common shares. A cash distribution on such shares will be treated as a dividend for U.S. federal income tax purposes to the extent the distribution is paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Any distributions in excess of such earnings and profits generally will be applied against and reduce the U.S. Holder’s basis in its common shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such common shares.

With respect to corporate U.S. Holders, dividends on our shares will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. With respect to non-corporate U.S. Holders, dividends on our shares may be taxed at the lower applicable long-term capital gains rate provided that (1) our common shares are readily tradable on an established securities market in the United States or, in the event we are deemed to be a Chinese “resident enterprise” under the EIT Law, we are eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People’s Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the “U.S.-PRC Tax Treaty,” (2) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the Nasdaq Stock Market. U.S. Holders should consult their own tax advisors regarding the tax treatment of any dividends paid with respect to our common shares.

If PRC taxes apply to dividends paid to a U.S. Holder on our common shares, such U.S. Holder may be entitled to a reduced rate of PRC tax under the U.S.-PRC Tax Treaty. In addition, such PRC taxes may be treated as foreign taxes eligible for credit against such holder's U.S. federal income tax liability (subject to certain limitations). U.S. Holders should consult their own tax advisors regarding the creditability of any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

### ***Taxation on the Disposition of Common Shares***

Upon a sale or other taxable disposition of our common shares, and subject to the PFIC rules discussed below, a U.S. Holder should recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the common shares. Capital gains recognized by U.S. Holders generally are subject to U.S. federal income tax at the same rate as ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders are generally subject to U.S. federal income tax at a maximum rate of 20%. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period for the common shares exceeds one year. The deductibility of capital losses is subject to various limitations. If PRC taxes would otherwise apply to any gain from the disposition of our common shares by a U.S. Holder, such U.S. Holder may be entitled to a reduction in or elimination of such taxes under the U.S.-PRC Tax Treaty. Any PRC taxes that are paid by a U.S. Holder with respect to such gain may be treated as foreign taxes eligible for credit against such holder's U.S. federal income tax liability (subject to certain limitations that could reduce or eliminate the available tax credit). U.S. Holders should consult their own tax advisors regarding the creditability of any such PRC tax and their eligibility for the benefits of the U.S.-PRC Tax Treaty.

### **Passive Foreign Investment Company Rules**

A foreign (i.e., non-U.S.) corporation will be a PFIC if at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. Based on our current composition and assets, we do not expect to be treated as a PFIC under the current PFIC rules. Our PFIC status, however, will not be determinable until after the end of each taxable year. Accordingly, there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. If we are determined to be a PFIC and a U.S. Holder did not make either a timely qualified electing fund (or "QEF"), election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) common shares, or a mark-to-market election, as described below, such holder generally will be subject to special rules with respect to:

- any gain recognized by the U.S. Holder on the sale or other disposition of its common shares; and
- any "excess distribution" made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the common shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder's holding period for the common shares).

Under these rules,

- the U.S. Holder's gain or excess distribution will be allocated ratably over the U.S. Holder's holding period for the common shares;

- the amount allocated to the U.S. Holder's taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder's holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year of the U.S. Holder.

In general, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our common shares by making a timely QEF election to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends. There can be no assurance, however, that we will pay current dividends or make other distributions sufficient for a U.S. Holder who makes a QEF election to satisfy the tax liability attributable to income inclusions under the QEF rules, and the U.S. Holder may have to pay the resulting tax from its other assets. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), to a timely filed U.S. federal income tax return for the tax year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS. In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election with respect to our common shares, and the special tax and interest charge rules do not apply to such shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares), any gain recognized on the appreciation of our common shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, U.S. Holders of a QEF are currently taxed on their pro rata shares of a PFIC's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to those U.S. Holders who made a QEF election. The tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning shares in a QEF.

Although a determination as to our PFIC status will be made annually, an initial determination that our company is a PFIC will generally apply for subsequent years to a U.S. Holder who held common shares while we were a PFIC, whether or not we meet the test for PFIC status in those years. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our common shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such shares for any taxable year of ours that ends within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and the U.S. Holder holds (or is deemed to hold) our common shares, the PFIC rules discussed above will continue to apply to such shares unless the holder makes a purging election, and pays the tax and interest charge with respect to the gain inherent in such shares attributable to the pre-QEF election period.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) shares in us and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its common shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its common shares at the end of its taxable year over the adjusted basis in its common shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of its common shares over the fair market value of its common shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in its common shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the common shares will be treated as ordinary income.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the SEC, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our common shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, U.S. Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC or will be able to cause the lower-tier PFIC to provide the required information. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs. If a U.S. Holder owns (or is deemed to own) shares during any year in a PFIC, such holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is made). The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our common shares should consult their own tax advisors concerning the application of the PFIC rules to our common shares under their particular circumstances.

#### **Tax Consequences to Non-U.S. Holders of Common Shares**

Dividends paid to a Non-U.S. Holder in respect to its common shares generally will not be subject to U.S. federal income tax, unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other disposition of our common shares, unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case, such gain from United States sources generally is subject to tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base in the United States) generally will be subject to tax in the same manner as for a U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

#### **Backup Withholding and Information Reporting**

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on our common shares within the United States to a non-corporate U.S. Holder and to the proceeds from sales and other dispositions of our common shares by a non-corporate U.S. Holder to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, backup withholding of United States federal income tax, currently at a rate of 28%, generally will apply to dividends paid on our common shares to a non-corporate U.S. Holder and the proceeds from sales and other dispositions of shares by a non-corporate U.S. Holder, in each case who (a) fails to provide an accurate taxpayer identification number; (b) is notified by the IRS that backup withholding is required; or (c) in certain circumstances, fails to comply with applicable certification requirements. A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedure for obtaining an exemption from backup withholding in their particular circumstances.

**F. Dividends and paying agents**

Not required.

**G. Statement by experts**

Not required.

**H. Documents on display**

Documents concerning us that are referred to in this document may be inspected at c/o Unit 1102, 11th Floor, Millennium City III, 370 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong SAR. In addition, we file annual reports and other information with the Securities and Exchange Commission. We file annual reports on Form 20-F and submit other information under cover of Form 6-K. As a foreign private issuer, we are exempt from the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders are exempt from the insider short-swing disclosure and profit recovery rules of Section 16 of the Exchange Act. Annual reports and other information we file with the Commission may be inspected at the public reference facilities maintained by the Commission at Room 1024, 100 F. Street, N.E., Washington, D.C. 20549, and copies of all or any part thereof may be obtained from such offices upon payment of the prescribed fees. You may call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms and you can request copies of the documents upon payment of a duplicating fee, by writing to the Commission. In addition, the Commission maintains a web site that contains reports and other information regarding registrants (including us) that file electronically with the Commission which can be assessed at <http://www.sec.gov>.

**I. Subsidiary Information**

Not required.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

***Interest Rate Risk***

Our exposure to interest rate risk primarily relates to interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. While interest-earning instruments carry a degree of interest rate risk, we have not been exposed, nor do we anticipate being exposed, to material risks due to changes in market interest rates.

***Foreign Currency Risk***

A majority of the Company's expense transactions are denominated in RMB and a significant portion of the Company and its subsidiaries' assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China ("PBOC"). Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

Our functional currency is the RMB, and our financial statements are presented in U.S. dollars. The RMB depreciated by 3.7% in fiscal 2019, depreciated by 2.9% in fiscal 2020, and appreciated by 8.6% in fiscal 2021, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. 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 changes in our business or results of operations. Currently, our assets, liabilities, revenues and costs are denominated in RMB.

To the extent that the Company needs to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollar for the purpose of making payments for dividends, strategic acquisition or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Company.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not required.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

There has been no default of any indebtedness nor is there any arrearage in the payment of dividends.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Acting Chief Financial Officer, has performed an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 (“Exchange Act”) Rules 13a-15(e) or 15d-15(e)) as of June 30, 2019 as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Based on that evaluation, management, including our Chief Executive Officer and Chief Financial Officer, has concluded as of June 30, 2021, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### *Management’s Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Acting Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2021. In making this assessment, management used the framework set forth in the report Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company’s internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of June 30, 2021.

It is possible that, had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm perform an audit of our internal control over financial reporting, internal control deficiencies may have been identified. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—If we fail to maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our shares may be adversely impacted.”

### ***Changes in Internal Controls over Financial Reporting***

During our preparation of the financial statements for the fiscal year ended June 30, 2018, we identified one material weakness in internal control over financial reporting, which was we lacked the necessary controls and procedures that need to be in place to monitor, capture, report and disclose certain subsequent events. In order to address the matter as it was identified, we immediately designated a “point” person within the Company’s accounting and finance reporting structure to whom all information relating to material transactions after the balance sheet closing date was and continues to be reported to ensure that such information is then properly and timely disclosed in the Company’s consolidated financial statements. We concluded that the material weakness was remediated as of June 30, 2019.

During the year ended June 30, 2019, we identified another material weakness in internal control over financial reporting, which is that the Company lacks sufficient financial accounting and reporting personnel with requisite knowledge and experience in the application of the United States generally accepted accounting principles (“U.S. GAAP”) and Securities and Exchange Commission (“SEC”) rules and lacks sufficient controls and procedures that are commensurate with U.S. GAAP and SEC reporting requirements.

To remediate our identified material weakness and improve our internal control over financial reporting, we have implemented a number of measures to address the material weakness. These measures include the following:

- We have hired additional qualified accounting and financial reporting personal with U.S. GAAP and SEC reporting experience to strengthen our financial reporting capability;
- We have sent our accounting and financial reporting personnel to continuous training and education in the accounting and reporting requirements under U.S. GAAP, and SEC rules and regulations;
- We have developed, communicated and implemented an accounting policy manual for its accounting and financial reporting personnel for recurring transactions and period-end closing processes;
- We have established effective monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of the Company’s consolidated financial statements and related disclosures

As of June 30, 2020, based on an assessment performed by our management on the performance of the remediation measures described above, we determined that the material weakness previously identified in our internal control over financial reporting had been remediated.

Other than as described above, there were no changes in our internal control over financial reporting during the year ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**ITEM 16. RESERVED****ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.**

Our Board of Directors has determined that Jin He Shao is an audit committee financial expert as that term is defined in Item 16A(b) of Form 20-F, and “independent” as that term is defined in the NASDAQ listing standards.

**ITEM 16B. CODE OF ETHICS.**

Our Board has adopted a code of business conduct and ethics that applies to our directors, officers and employees. A copy of this code is available on our website. We intend to disclose on our website any amendments to the Code of Business Conduct and Ethics and any waivers of the Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer, principal accounting officer, controller, or persons performing similar functions.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The following table represents the approximate aggregate fees for services billed by Ernst & Young Hua Ming LLP for the period indicated:

	<u>June 30,</u> <u>2021</u> <u>USD'000</u>	<u>June 30,</u> <u>2020</u> <u>USD'000</u>
Audit Fees	\$ 381	\$ 341
Audit Related Fees	30	5
Tax Fees	-	-
All Other Fees	-	-
<b>Total Fees</b>	<u>\$ 411</u>	<u>\$ 346</u>

Our Audit Committee evaluated and approved in advance the scope and cost of the engagement of an auditor before the auditor rendered its audit and non-audit services.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES.**

None.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS.**

No purchase of our securities was made by us or our affiliates in 2021.

**ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

None.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The financial statements are filed as part of this Annual Report beginning on page F-1.

**CLPS INCORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2021, 2020 AND 2019**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of CLPS Incorporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CLPS Incorporation (the “Company”) as of June 30, 2021 and 2020, the related consolidated statements of comprehensive income (loss), changes in shareholders’ equity and cash flows for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company’s auditor since 2018.

Shanghai, the People’s Republic of China

October 15, 2021

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

	Notes	As of June 30,	
		2021	2020
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 24,739,382	\$ 12,652,120
Short-term investments		4,158,535	636,934
Accounts receivable, net	4	44,138,997	25,753,856
Prepayments, deposits and other assets, net	5	2,530,458	1,280,967
Prepaid income tax		-	15,780
Amounts due from related parties	12	546,128	169,185
<b>Total Current Assets</b>		<b>\$ 76,113,500</b>	<b>\$ 40,508,842</b>
<b>Non-current assets:</b>			
Property and equipment, net	6	600,791	452,472
Intangible assets, net	7	1,050,499	1,144,579
Goodwill	8	2,444,950	2,118,700
Long-term investments	9	1,014,784	680,131
Prepayments, deposits and other assets, net	5	896,145	244,387
Deferred tax assets, net	13	607,773	203,247
<b>Total Assets</b>		<b>\$ 82,728,442</b>	<b>\$ 45,352,358</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Bank loans	10	\$ 7,536,839	\$ 2,161,239
Accounts payable		559,450	268,661
Accrued expenses and other current liabilities		245,408	220,382
Tax payables	13	1,715,009	1,426,614
Contract liabilities		326,912	755,178
Salaries and benefits payable	11	12,466,921	11,522,268
Amounts due to related party	12	183,148	-
<b>Total current liabilities</b>		<b>\$ 23,033,687</b>	<b>\$ 16,354,342</b>
<b>Non-current liabilities:</b>			
Bank loans	10	9,644	22,554
Deferred tax liabilities	13	155,033	163,163
Other non-current liabilities	13	1,799,383	194,939
<b>Total Liabilities</b>		<b>\$ 24,997,747</b>	<b>\$ 16,734,998</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

	Notes	As of June 30,	
		2021	2020
<b>Commitments and Contingencies</b>	14		
<b>Shareholders’ Equity:</b>			
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 20,293,552 shares issued and outstanding as of June 30, 2021; 15,930,330 shares issued and outstanding as of June 30, 2020	18	2,029	1,593
Additional paid-in capital	18	48,516,695	28,586,048
Statutory reserves	18	4,214,075	2,803,811
Retained earnings (Accumulated deficits)		2,726,165	(2,680,143)
Accumulated other comprehensive income (loss)	18	1,230,083	(1,362,665)
<b>Total CLPS Incorporation’s Shareholders’ Equity</b>		<u>56,689,047</u>	<u>27,348,644</u>
<b>Noncontrolling interests</b>	19	<u>1,041,648</u>	<u>1,268,716</u>
<b>Total Shareholders’ Equity</b>		<u>57,730,695</u>	<u>28,617,360</u>
<b>Total Liabilities and Shareholders’ Equity</b>		<u>\$ 82,728,442</u>	<u>\$ 45,352,358</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CLPS INCORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

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

	Notes	For the years ended June 30,		
		2021	2020	2019
<b>Revenues</b>	20	\$ 126,061,693	\$ 89,415,798	\$ 64,932,937
Less: Cost of revenues		(85,890,757)	(58,296,097)	(41,178,356)
<b>Gross profit</b>		<u>40,170,936</u>	<u>31,119,701</u>	<u>23,754,581</u>
Operating income (expenses):				
Selling and marketing expenses		(3,753,236)	(3,059,877)	(2,179,029)
Research and development expenses		(13,337,913)	(10,436,975)	(7,978,883)
General and administrative expenses		(16,784,688)	(16,343,936)	(17,384,393)
Subsidies and other operating income		2,080,087	1,927,230	697,370
Total operating expenses		<u>(31,795,750)</u>	<u>(27,913,558)</u>	<u>(26,844,935)</u>
<b>Income (loss) from operations</b>		<u>8,375,186</u>	<u>3,206,143</u>	<u>(3,090,354)</u>
Other income		296,319	608,638	82,138
Other expenses		<u>(351,045)</u>	<u>(107,322)</u>	<u>(92,429)</u>
Income (loss) before income tax and share of income (loss) in equity investees		8,320,460	3,707,459	(3,100,645)
Provision for income taxes	13	1,257,124	835,444	186,615
Income (loss) before share of income (loss) in equity investees		7,063,336	2,872,015	(3,287,260)
Share of (loss) income in equity investees, net of tax		<u>(44,121)</u>	<u>207,363</u>	<u>(145,329)</u>
<b>Net income (loss)</b>		<u>7,019,215</u>	<u>3,079,378</u>	<u>(3,432,589)</u>
Less: Net income (loss) attributable to noncontrolling interest		202,643	141,139	(162,813)
<b>Net income (loss) attributable to CLPS Incorporation’s shareholders</b>		<u>\$ 6,816,572</u>	<u>\$ 2,938,239</u>	<u>\$ (3,269,776)</u>
<b>Other comprehensive (loss) income</b>				
Foreign currency translation income (loss)		\$ 2,695,223	\$ (571,943)	\$ (429,348)
Less: foreign currency translation income (loss) attributable to noncontrolling interests		<u>102,475</u>	<u>(22,928)</u>	<u>(17,375)</u>
Other comprehensive income (loss) attributable to CLPS Incorporation’s shareholders		<u>\$ 2,592,748</u>	<u>\$ (549,015)</u>	<u>\$ (411,973)</u>
<b>Comprehensive income (loss) attributable to CLPS’s Incorporation shareholders</b>		<u>\$ 9,409,320</u>	<u>\$ 2,389,224</u>	<u>\$ (3,681,749)</u>
Comprehensive income (loss) attributable to noncontrolling interests		305,118	118,211	(180,188)
<b>Comprehensive income (loss)</b>		<u>\$ 9,714,438</u>	<u>\$ 2,507,435</u>	<u>\$ (3,861,937)</u>
Basic earnings (loss) per common share	15	\$ 0.39	\$ 0.20	\$ (0.24)
Weighted average number of share outstanding – basic		<u>17,279,443</u>	<u>14,689,224</u>	<u>13,843,764</u>
Diluted earnings (loss) per common share	15	\$ 0.39	\$ 0.20	\$ (0.24)
Weighted average number of share outstanding – diluted		<u>17,569,440</u>	<u>14,692,299</u>	<u>13,843,764</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CLPS INCORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Amounts in U.S. dollars ("\$\$"), except for number of shares)

	Notes	Common Share		Additional Paid-in Capital	Statutory Surplus	Retained Earnings (Accumulated Deficits)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
		Shares	Amount						
Balance at June 30, 2018		13,590,000	1,359	17,285,543	1,118,467	(524,618)	(401,677)	676,282	18,155,356
Net loss for the year		-	-	-	-	(3,269,776)	-	(162,813)	(3,432,589)
Appropriation of statutory reserve	18	-	-	-	715,335	(715,335)	-	-	-
Foreign currency translation adjustments		-	-	-	-	-	(411,973)	(17,375)	(429,348)
Stock-based compensation	17	223,821	22	7,016,089	-	-	-	-	7,016,111
Exercise of warrants	16	99,380	10	(10)	-	-	-	-	-
Noncontrolling interests through an acquisition	3	-	-	-	-	-	-	64,879	64,879
Sale of subsidiaries' shares to noncontrolling interests		-	-	-	-	-	-	47,189	47,189
Other		-	-	(25,000)	-	-	-	-	(25,000)
Balance at June 30, 2019		13,913,201	1,391	24,276,622	1,833,802	(4,509,729)	(813,650)	608,162	21,396,598
Net income for the year		-	-	-	-	2,938,239	-	141,139	3,079,378
Appropriation of statutory reserve		-	-	-	970,009	(970,009)	-	-	-
Foreign currency translation adjustments		-	-	-	-	-	(549,015)	(22,928)	(571,943)
Cumulative effect of adopting ASC 606	2	-	-	-	-	(138,644)	-	-	(138,644)
Purchase of subsidiaries' shares from noncontrolling interests shareholders	19	100,000	10	(131,002)	-	-	-	130,992	-
Stock-based compensation expense		-	-	4,004,080	-	-	-	-	4,004,080
Exercise of share options and vesting of restricted shares	17	1,830,514	183	(183)	-	-	-	-	-
Acquisition of subsidiaries	3	86,615	9	436,531	-	-	-	411,351	847,891
Balance at June 30, 2020		\$ 15,930,330	\$ 1,593	\$ 28,586,048	\$ 2,803,811	\$ (2,680,143)	\$ (1,362,665)	\$ 1,268,716	\$ 28,617,360
Net Income for the year		-	-	-	-	6,816,572	-	202,643	7,019,215
Appropriation of statutory reserve		-	-	-	1,410,264	(1,410,264)	-	-	-
Foreign currency translation loss		-	-	-	-	-	2,592,748	102,475	2,695,223
Purchase of subsidiaries' shares from noncontrolling interests	19	62,622	6	3,274	-	-	-	(458,826)	(455,546)
Disposal of subsidiary	3	-	-	-	-	-	-	(34,116)	(34,116)
Stock-based compensation	17	-	-	5,128,696	-	-	-	-	5,128,696
Exercise of share options and vesting of restricted shares	17	1,568,392	157	116,073	-	-	-	-	116,230
Exercise of warrants	16	65,542	6	(6)	-	-	-	-	-
Issuance of common	18	2,666,666	267	11,131,562	-	-	-	-	11,131,829

shares from private placement									
Warrants issued in connection with private placement	16	-	-	-	3,551,048	-	-	-	3,551,048
Noncontrolling interests through an acquisition	3	-	-	-	-	-	-	(5,107)	(5,107)
Dividends paid to noncontrolling interests		-	-	-	-	-	-	(34,137)	(34,137)
Balance at June 30, 2021		<u>20,293,552</u>	<u>2,029</u>	<u>48,516,695</u>	<u>4,214,075</u>	<u>2,726,165</u>	<u>1,230,083</u>	<u>1,041,648</u>	<u>57,730,695</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CLPS INCORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 7,019,215	\$ 3,079,378	\$ (3,432,589)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Share-based compensation	5,128,696	4,004,080	7,016,089
Depreciation and amortization	677,241	593,173	403,700
Deferred tax (benefits) expenses	(413,609)	172,740	100,109
Remeasurement loss of the previously held equity interest	-	-	19,682
Gain on disposal of a long-term investment	-	(433,490)	-
Share of loss (income) in equity investees, net of tax	44,121	(207,363)	145,329
Gain on disposal of subsidiaries	(9,022)	-	(57,588)
Provision (reversal of) for doubtful accounts	197,740	231,133	(70,893)
Loss from disposal of property and equipment	26,399	633	9,689
Others	25,615	-	-
Changes in assets and liabilities:			
Accounts receivable	(16,712,597)	(6,603,589)	(3,055,040)
Prepayment, deposits and other assets	(728,562)	206,054	(37,026)
Prepaid income tax	15,780	615,010	(442,498)
Amounts due from related parties	(224,429)	-	-
Accounts payable	363,697	89,427	(417,801)
Accrued expenses and other current liabilities	(18,349)	56,935	(425,109)
Contract liabilities	(378,628)	69,278	-
Tax payables	279,413	408,007	102,408
Amounts due to related parties	183,148	-	-
Deferred subsidies	-	(109,250)	(27,138)
Deferred revenue	-	-	(69,241)
Salaries and benefits payable	309,914	3,564,029	639,024
Other non-current liabilities	1,604,444	194,939	-
<b>Net cash (used in) provided by operating activities</b>	<b>(2,609,773)</b>	<b>5,931,124</b>	<b>401,107</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment	(1,072,389)	(167,701)	(499,554)
Acquisition of intangible assets	(6,521)	(63,855)	-
Payments for business acquisitions, net of cash acquired from acquisitions	(304,476)	(1,556,910)	(401,062)
Acquisition of long-term investments	(331,036)	(143,299)	(1,093,274)
Disposition of a long-term investment	-	995,605	-
Disposition of subsidiaries	(191,839)	-	(65,242)
Maturities (purchases) of short-term investments	(3,375,521)	1,109,389	(1,803,228)
Repayments from a related party	-	177,787	820,982
Loans provided to a third party	(185,906)	-	-
Loans provided to related parties	(151,783)	(177,787)	(820,982)
<b>Net cash (used in) provided by investing activities</b>	<b>(5,619,471)</b>	<b>173,229</b>	<b>(3,862,360)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CLPS INCORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term bank loans	13,301,775	3,821,602	3,641,661
Repayments of short-term bank loans	(8,270,611)	(3,896,240)	(3,918,427)
Capital contributions from IPO and over-allotment, net	-	-	1,472,592
Capital contributions from private placement and warrants, net of issuance costs	14,682,877	-	-
Proceeds from exercise of options	116,230	-	-
Escrow receivable	-	200,000	-
Purchase of noncontrolling interests	(455,546)	-	(582,440)
Amounts due to related parties	-	-	(146,604)
Dividends paid to noncontrolling interests	(34,137)	-	-
<b>Net cash provided by financing activities</b>	<b>19,340,588</b>	<b>125,362</b>	<b>466,782</b>
Effect of exchange rate changes on cash	975,918	(178,930)	(147,080)
Net increase (decrease) in cash	12,087,262	6,050,785	(3,141,551)
Cash and cash equivalents, at the beginning of the year	\$ 12,652,120	\$ 6,601,335	\$ 9,742,886
Cash, cash equivalents at the end of the year	\$ 24,739,382	\$ 12,652,120	\$ 6,601,335
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>			
Income tax paid	\$ 1,746,327	\$ 1,169,717	\$ 768,956
Interest paid	\$ 154,516	\$ 89,503	\$ 69,602

The accompanying notes are an integral part of these consolidated financial statements.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS**

CLPS Incorporation (“CLPS” or the “Company”), is a company that was established under the laws of the Cayman Islands on May 11, 2017 as a holding company. The Company, through its subsidiaries, designs, builds, and delivers IT services, solutions and product services. The Company customizes its services to specific industries with customer service teams typically based on-site at the customer locations. The Company’s solutions enable its clients to meet the changing demands in an increasingly global, internet-driven, and competitive marketplace. Mr. Xiao Feng Yang, the Company’s Chairman of the Board, together with Mr. Raymond Ming Hui Lin, the Company’s Chief Executive Officer (“CEO”) are the controlling shareholders of the Company (the “controlling shareholder”). On June 8, 2018, the Company completed its initial public offering (“IPO”) on the Nasdaq Capital Market.

Details of the subsidiaries of the Company are set out below:

<b>Name of Entity</b>	<b>Date of Incorporation/ Acquisition</b>	<b>Place of Incorporation</b>	<b>% of Equity Ownership</b>	<b>Principal Activities</b>
Qiner Co., Limited (“Qiner”)	Incorporated on April 21, 2017	Hong Kong, China	100%	Holding Company
Qinheng Co., Limited (“Qinheng”)	Incorporated on June 9, 2017	Hong Kong, China	100%	Holding Company
Shanghai Qincheng Information Technology Co., Ltd. (“CLPS QC” or “WOFE”)	Incorporated on August 4, 2017	Shanghai, China	100%	Holding Company
Growth Ring Ltd., (“Growth”)	Incorporated On April 14, 2021	Virgin Islands, British	100%	Holding Company
Arabian Jasmine Ltd.	Incorporated on May 25, 2021	Virgin Islands, British	100%	Holding Company
Shanghai Chenqin Information Technology Services Co., Ltd.	Incorporated on May 31, 2021	Shanghai, China	100%	Holding Company
CLPS-Beefinance Holding Ltd.	Incorporate on June 22, 2021	Virgin Islands, British	55%	Holding Company
Noni (Singapore) Pte. Ltd.	Incorporated on June 22, 2021	Singapore	100%	Holding Company
ChinaLink Professional Service Co., Ltd. (“CLPS Shanghai”)	Incorporated on August 30, 2005	Shanghai, China	100%	Software development
CLPS Dalian Co., Ltd. (“CLPS Dalian”)	Incorporated on May 25, 2011	Dalian, China	100%	Software development
CLPS Ruicheng Co., Ltd. (“CLPS RC”)	Incorporated on June 26, 2013	Shanghai, China	100%	Software development
CLPS Beijing Hengtong Co., Ltd. (“CLPS Beijing”)	Incorporated on March 30, 2015	Beijing, China	100%	Software development
CLPS Technology (Singapore) Pte. Ltd. (“CLPS SG”)	Incorporated on August 18, 2015	Singapore	100%	Software development
CLPS- Ridik Technology (Australia) Pty Ltd. (“CLPS Ridik AU”)	Incorporated on November 10, 2015	Australia	100%	Software development
CLPS Technology (Hong Kong) Co., Limited (“CLPS Hong Kong”)	Incorporated on January 7, 2016	Hong Kong, China	100%	Software development
JAJI (Shanghai) Co., Ltd (“JAJI China”, formerly , Judge (Shanghai) Co., Ltd.)	Acquired on November 9, 2016	Shanghai, China	60%	Software development
JAJI (Shanghai) Human Resource Co., Ltd. (“JAJI HR”, formerly Judge (Shanghai) Human Resource Co., Ltd.)	Acquired on November 9, 2016	Shanghai, China	60%	Software development
CLPS Shenzhen Co., Ltd. (“CLPS Shenzhen”)	Incorporated on April 7, 2017	Shenzhen, China	100%	Software development
CLPS Guangzhou Co., Ltd. (“CLPS Guangzhou”)	Incorporated on September 27, 2017	Guangzhou, China	100%	Software development
CLPS Technology (US) Ltd. (“CLPS US”)	Incorporated on June 5, 2018	Delaware, the United States of America	100%	Software development
Tianjin Huanyu Qinshang Network Technology Co., Ltd. (“Huanyu”)	Acquired on May 24, 2019	Tianjin, China	100%	Network technology

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS - continued**

<b>Name of Entity</b>	<b>Date of Incorporation/ Acquisition</b>	<b>Place of Incorporation</b>	<b>% of Equity Ownership</b>	<b>Principal Activities</b>
CLPS Hangzhou Co. Ltd. (“CLPS Hangzhou”)	Incorporated on July 31, 2019	Hangzhou, China	100%	Software development
CLPS Technology Japan (“CLPS Japan”)	Incorporated on September 13, 2019	Japan	100%	Software development
Ridik Pte. Ltd. (“Ridik Pte.”)	Acquired on September 26, 2019	Singapore	100%	Software development
Ridik Sdn. Bhd. (“Ridik Sdn.”)	Acquired on September 26, 2019	Malaysia	100%	Software development
Ridik Software Solutions Pte. Ltd. (“Ridik Software Pte.”)	Acquired on September 26, 2019	Singapore	100%	Software development
Qinson Credit Card Services Limited (“Qinson”)	Incorporated on December 31, 2019	Hong Kong, China	100%	Software development
CLPS Technology (California) Inc. (“CLPS California”)	Incorporated on January 2, 2020	California, the United States of America	100%	Software development
Ridik Consulting Private Limited (“Ridik Consulting”)	Acquired on January 6, 2020	India	100%	Software development
Hainan Qincheng Software Technology Co., Ltd.	Incorporated On January 20, 2021	Hainan, China	100%	Software development
CareerWin Executive Search Co., Ltd. (“CareerWin”)	Acquired on March 3, 2021	Shanghai, China	60%	Headhunting Service
CLPS Xi’an Co., Ltd.	Incorporated On April 15, 2021	Xi’an, China	100%	Software development
Beijing Bozhuo Educational Technology Co., Ltd.	Acquired on May 11, 2021	Beijing, China	36%	Software development

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation and principles of consolidation**

The accompanying consolidated financial statements have been prepared in accordance with the United States generally accepted accounting principles (“U.S. GAAP”).

The accompanying consolidated financial statements include the financial statements of CLPS and its subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation. Results of subsidiaries and businesses acquired from third parties are consolidated from the date on which control is transferred to the Company.

**Comparative Information**

The comparative consolidated statements of comprehensive income (loss) for the years ended June 30, 2020 and 2019 have been revised to reclassify the government subsidies of operating nature from other income to other operating income to conform with the current year financial statement presentation. This change did not have a material impact on the Company’s consolidated financial statements for the prior periods.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Use of estimates and assumptions**

In preparing the consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, valuation of accounts receivable, prepayments, deposits and other assets, useful lives of property and equipment and intangible assets, goodwill impairment, the impairment of long-lived assets and long-term investments, purchase price allocation and fair value of noncontrolling interests for business combinations, relative standalone selling price of the performance obligations in the IT solution services, provision for accrued expenses and other current liabilities, valuation allowance of deferred tax assets, provision for uncertain tax positions, fair value measurements of equity investments without readily determinable fair values, fair value of warrants and fair value of and estimated forfeitures for share-based compensation. Actual results could differ from those estimates.

**Cash and cash equivalents**

Cash and cash equivalents primarily consist of cash and bank deposits, which are unrestricted as to withdrawal and use. The Company considers all highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company maintains most of its bank accounts in the People’s Republic of China (“PRC”). Cash balances in bank accounts in PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

**Short-term investments**

Short-term investments represent highly liquid investments in wealth management products placed with certain financial institutions. The principal amounts of these products are not guaranteed. The Company classifies these wealth management products as “trading” as they are bought and held principally for the purpose of selling them in the near term. Dividend and interest income are included in earnings. Any realized gains or losses on the sale of the short-term investments, are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains or losses are realized.

**Accounts receivable and allowance for doubtful accounts**

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when loss is probable. The Company determines the adequacy of a reserve for doubtful accounts based on individual account analysis and historical collection trends. The Company establishes a provision for doubtful receivables when there is objective evidence that the Company may not be able to collect amounts due. The allowance is based on management’s best estimates of specific losses on individual customer exposures, as well as the historical trends of collections. Delinquent account balances are written-off against the allowance for doubtful accounts after management has determined that the likelihood of collection is not probable. The Company regularly reviews the adequacy and appropriateness of the allowance for doubtful accounts.

**Prepayments, deposit and other assets and allowance for doubtful accounts**

Prepayment, deposit and other assets primarily consists of advances and deposits to suppliers for purchasing goods or services that have not been received or provided and advances to employees. These advances are interest free, unsecured and short-term in nature and are reviewed periodically to determine whether their carrying value has become impaired. An allowance for doubtful accounts is recorded in the period when loss is probable.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Long-term investments**

The Company’s long-term investments consist of equity-method investments and equity investments without readily determinable fair values.

Investments in entities in which the Company can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC Topic 323, *Investments-Equity Method and Joint Ventures* (“ASC 323”). The share of earnings or losses of the investee are recognized in the consolidated statements of comprehensive income (loss). Equity method adjustments include the Company’s proportionate share of investee income or loss, adjustments to recognize certain differences between the Company’s carrying value and its equity in net assets of the investee at the date of investment, impairments, and other adjustments required by the equity method. The Company assesses its equity investment for other-than-temporary impairment by considering factors as well as all relevant and available information including, but not limited to, current economic and market conditions, the operating performance of the investees including current earnings trends, the general market conditions in the investee’s industry or geographic area, factors related to the investee’s ability to remain in business, such as the investee’s liquidity, debt ratios, and cash burn rate and other company-specific information. Any gain or loss from the disposition of the equity method investments is included in the consolidated statements of comprehensive income equal to difference between the proceeds the Company receives and the carrying amounts of the investment disposed.

For equity investments without readily determinable fair values, the Company elects to use the measurement alternative in accordance with ASC Topic 321, *Investments-Equity securities* (“ASC 321”) to measure such investments at cost minus impairment adjusted by observable price changes in orderly transactions for the identical or a similar investment of the same issuer as of the date that the observable transaction occurred. These investments are measured at fair value on a nonrecurring basis when there are events or changes in circumstances that may have a significant adverse effect. An impairment loss is recognized in the consolidated statements of comprehensive income equal to the amount by which the carrying value exceeds the fair value of the investment. For the year ended June 30, 2021, 2020 and 2019, no such investment was remeasured and accordingly no unrealized gains (losses) was recognized.

No impairment loss was recognized in any of the periods presented.

**Business combination**

The Company accounts for all business combinations under the purchase method of accounting in accordance with ASC Topic 805, *Business Combinations* (“ASC 805”). The purchase method of accounting requires that the consideration transferred to be allocated to net assets including separately identifiable assets and liabilities the Company acquired, based on their estimated fair value. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of the cost of the acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the acquiree, the difference is recognized directly in the consolidated statements of comprehensive income (loss). The Company adopted Accounting Standards Update (“ASU”) No. 2017-01, *Business Combinations (Topic 802): Clarifying the Definition of a Business*, in determining whether it has acquired a business from July 1, 2019 on a prospective basis and there was no material impact on the consolidated financial statements.

The determination and allocation of fair values to the identifiable net assets acquired, liabilities assumed and noncontrolling interest is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Company determines discount rates to be used based on the risk inherent in the acquiree’s current business model and industry comparisons. Terminal values are based on the expected life of assets and forecasted cash flows over that period. Acquisition-related costs are recognized as general and administrative expenses in the consolidated statements of comprehensive income (loss) as incurred. Although the Company believes that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from forecasted amounts and the differences could be material.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Noncontrolling interests**

The noncontrolling interests are presented in the consolidated balance sheets, separately from equity attributable to the shareholders of the Company. Noncontrolling interests in the results of the Company are presented on the face of the consolidated statements of comprehensive income (loss) as an allocation of the total income or loss for the year between noncontrolling interest holders and the shareholders of the Company.

**Property and equipment, net**

Property and equipment, net, are stated at cost less accumulated depreciation and impairment, if any. The straight-line method is used to compute depreciation over the estimated useful lives of the assets, as follows:

	<b>Useful life</b>
Leasehold improvements	The shorter of remaining lease terms or the estimated useful lives
Automobiles	5 years
Equipment and office furniture	1-5 years

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is charged to the statements of comprehensive income (loss).

Direct costs that are related to the construction of property and equipment and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use.

**Intangible assets, net**

Intangible assets, net, are carried at cost less accumulated amortization and any recorded impairment. Intangible assets acquired through business combinations are recognized as assets separate from goodwill if they satisfy either the “contractual-legal” or “separability” criterion, and are measured at fair value upon acquisition.

Amortization is computed using the straight-line method over the following estimated useful lives:

	<b>Useful life</b>
Customer contracts	10 years
Customer relationship	5 – 10 years
Software	3 – 5 years

The Company does not have any indefinite-lived intangibles other than goodwill.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Goodwill**

Goodwill represents the excess of the consideration over the fair value of the net assets acquired at the date of acquisition. Goodwill is not amortized but rather tested for impairment at least annually at the reporting unit level by applying a fair-value based test in accordance with accounting and disclosure requirements for goodwill. This test is performed by management annually or more frequently if the Company believes impairment indicators are present. The Company had only one reporting unit (that also represented the Company’s single operating segment) as of June 30, 2021 and 2020. Goodwill was allocated 100% to the single reporting unit as of June 30, 2021 and 2020. The Company has the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20, *Intangibles - Goodwill and Other*. If the Company believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, the Company considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations.

In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss in general and administrative expenses.

No impairment loss was provided for the years ended June 30, 2021, 2020 and 2019.

**Impairment of long-lived assets**

The Company reviews its long-lived assets, other than goodwill, including property and equipment and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable in accordance with ASC Topic 360, *Property, Plant and Equipment*. When these events occur, the Company assesses recoverability by comparing the carrying values of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amounts of the assets, the Company would recognize an impairment loss based on the excess of the carrying value over the fair value of the assets and record the impairment in earnings. Fair value is generally determined by discounting the cash flows expected to be generated by the asset, when the market prices are not readily available. The adjusted carrying amount of the asset becomes the new cost basis and depreciated over the asset’s remaining useful live. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities for the purpose of the impairment testing.

No impairment loss was provided for the years ended June 30, 2021, 2020 and 2019.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Revenue recognition**

Effective July 1, 2019, the Company adopted ASU 2014-09, *Revenue from contracts with Customers (Topic 606)* (“ASC 606”) using the modified retrospective approach, which requires the recognition of a cumulative-effect adjustment to retained earnings as of the date of adoption and applies the adoption only to contracts not completed as of July 1, 2019. The cumulative effect of initially applying ASC 606 resulted in a decrease to opening retained earnings of \$138,644 as of July 1, 2019, with the impact primarily related to the Company’s customized IT solution services.

The Company provides a comprehensive range of IT services and solutions, which primarily are on a time-and-expense basis, or fixed-price basis. Revenue is recognized when control of promised goods or services is transferred to the Company’s customers in an amount of consideration to which an entity expects to be entitled to in exchange for those services.

*Time-and-expense basis contracts*

The series of IT services are substantially the same from day to day, and each day of the service is considered to be distinct and separately identifiable as it benefits the customer daily. Further, the uncertainty related to the service consideration is resolved on a daily basis as the Company satisfies its obligation to perform IT service daily with enforceable right to payment for performance completed to date. Thus, revenue is recognized as service is performed and the customer simultaneously receives and consumes the benefits from the service daily.

*Fixed-price basis contracts*

Revenues from fixed-price customized solution contracts require the Company to perform services for systems design, planning and integrating based on customers’ specific needs which requires significant production and customization. The required customization work period is generally less than one year. Upon delivery of the services, customer acceptance is generally required. In the same contract, the Company is generally required to provide post-contract customer support (“PCS”) for a period from three months to one year (“PCS period”) after the customized application is delivered. The type of service for PCS clause is generally not specified in the contract or stand-ready service on when-and-if-available basis.

There are two performance obligations identified in the fixed-price basis contracts: the delivery of customized IT solution service and the completion of the PCS. The transaction price is allocated between the two performance obligations based on the relative standalone selling price, estimated using the cost plus method.

The Company recognizes revenue for the delivery of customized IT solution service at a point in time when the system is implemented and accepted by the customer. Where the Company has enforceable right to payment for performance completed to date, revenue is recognized over time, using the output method. Revenue for PCS is recognized ratably over time as the customer simultaneously receive and consume the benefits throughout the PCS period.

Differences between the timing of billings and the recognition of revenues are recorded as contract assets which is included in the prepayments, deposits and other assets, net, or contract liabilities on the consolidated balance sheets. Contract assets are classified as current assets and the full balance is reclassified to accounts receivables when the right to payment becomes unconditional. No impairment loss was recognized for contract assets for the years ended June 30, 2021 and 2020.

Costs incurred in advance of revenue recognition arising from direct and incremental staff costs in respect of services provided under the fixed fee contracts according to the customer’s requirements prior to the delivery of services are recorded as deferred contract costs which is included in the prepayments, deposits and other assets, net on the consolidated balance sheets. Such deferred contract costs are recognized upon the recognition of the related revenues.

*Other contracts*

Other contracts primarily comprise of the sale of consulting and head-hunting services. Revenue for other contracts is recognized at a point in time when control is transferred to the customers, which generally occurs when the service is accepted by customers.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Revenue recognition (continued)**

The opening and closing balances of contract assets arising from contracts with customers as of June 30, 2021 were \$233,149 and \$513,199, respectively, and the opening and closing balances of deferred contract costs arising from contracts with customers as of June 30, 2021 were \$106,734 and \$376,138. The opening and closing balances of contract liabilities arising from contracts with customers as of June 30, 2021 were \$755,178 and \$326,912, respectively. Revenue recognized in the year ended June 30, 2021 that was included in the contract liability balance at the beginning of the period was \$703,102. This revenue was driven primarily by IT solution service performance obligations being satisfied.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

Revenue includes reimbursements of travel and out-of-pocket expense, with equivalent amounts of expense recorded in cost of revenues.

The Company is subject to value added tax (the “VAT”) that is imposed on and concurrent with the revenues earned for services provided in the PRC. The Company’s applicable value added tax rate is 6%. VAT are recorded as reduction of revenues when incurred.

The Company’s disaggregated revenue disclosures are presented in Note 20.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Cost of revenues**

Cost of revenues mainly consisted of compensation expenses for the Company’s IT professionals, travel expenses and material costs.

**Research and development expenses**

Research and development expenses are incurred in the development of new software modules and products in conjunction with anticipated customer projects. Technological feasibility for the Company’s software products is reached before the products are released for sale. To date, expenditures incurred after technological feasibility was established and prior to completion of software development have not been material, and accordingly, the Company has expensed all costs when incurred.

**Government subsidies**

Government subsidies mainly represent amounts granted by local government authorities as an incentive for companies to promote development of the local technology industry. The Company also receives government subsidies related to government sponsored projects, and records such government subsidies as a liability when it is received. The Company recognizes the government subsidies in the consolidated statements of comprehensive income (loss) when there is no further performance obligation.

**Advertising expenditures**

Advertising expenditures are expensed as incurred and such expenses were minimal for all the periods presented. Advertising expenditures have been included as part of selling and marketing expenses.

**Operating leases**

A lease for which substantially all the benefits and risks incidental to ownership remain with the lessor is classified by the lessee as an operating lease. All leases of the Company are currently classified as operating leases. The Company records the total expenses on a straight-line basis over the lease term.

**Employee defined contribution plan**

Full time employees of the Company in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Company make contributions to the government for these benefits based on a certain percentage of the employee’s salaries. The Company has no legal obligation for the benefits beyond the contributions. The total amount is expensed as incurred. The expenses related to these plans were \$11,477,252, \$6,662,389 and \$6,180,287 for the years ended June 30, 2019, 2020 and 2021, respectively.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Income taxes**

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized, when it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

The Company accounts for uncertainties in income taxes in accordance with ASC Topic 740, *Income Taxes* (“ASC 740”). An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the consolidated statements of comprehensive income (loss) in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended June 30, 2021, 2020 and 2019. All of the tax returns of the Company’s subsidiaries in China remain subject to examination by the tax authorities for five years from the date of filing through year 2025, and the examination period was extended to 10 years for entities qualified as High and New Technology Enterprises (“HNTEs”) in 2018 and thereafter.

**Warrants**

Equity-classified warrants are initially measured at the grant date fair value. Subsequent changes in fair value are not recognized as long as the contract continues to be classified in equity. The Company, with the assistance of an independent third-party valuation firm, used the Black-Scholes pricing model to estimate the fair value of warrants. The determination of estimated fair value of warrants on the grant date was mainly affected by the Company’s stock price as well as assumptions regarding a number of subjective variables. These variables include the Company’s expected stock price volatility over the expected term of the awards, a risk-free interest rate and any expected dividends.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Share-based payment**

The Company accounts for share-based payment in accordance with ASC Topic 718, *Compensation-Stock Compensation* (“ASC 718”). Share awards issued to employees and directors, including employee stock option plans (“ESOPs”) and restricted share units (“RSUs”) are measured at fair value at the grant date. The Company, with the assistance of an independent third-party valuation firm, determined the fair value of the share options granted to employees. The Company uses the binomial lattice model to estimate the fair value of ESOPs, and uses the closing stock price at the grant date to measure the fair value of RSUs. The Company recognizes compensation expenses, net of forfeitures, using the accelerated method over the requisite service periods.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting ESOPs and RSUs’ forfeitures and records share-based compensation expense only for those awards that are expected to vest.

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. The Company measures the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurred. For unvested awards, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

**Earnings (loss) per share**

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted average number of common shares and potential common shares outstanding during the period, which may include RSUs, options and warrants. The computation of diluted earnings (loss) per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e. an increase in earnings per share amounts) on earnings (loss) per share.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Foreign currency**

The functional currency of the Company is US\$. The functional currencies of the Company’s subsidiaries are the local currency of the country in which the subsidiary operates, which is determined based on ASC Topic 830, *Foreign Currency Matters* (“ASC 830”).

Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates as set forth in the H.10 statistical release of the U.S. Federal Reserve Board prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet dates. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive income (loss).

The Company’s financial statements are reported using US\$. The financial statements of the Company’s subsidiaries whose functional currencies are not US\$ are translated from the functional currency to the reporting currency. Assets and liabilities are translated at the exchange rates at the balance sheet dates, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as accumulated comprehensive income (loss) and are shown as a separate component of other comprehensive income (loss) in the consolidated statements of comprehensive income (loss).

**Fair value of financial instruments**

The Company applies ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Fair value of financial instruments (continued)**

Financial instruments of the Company primarily consist of cash and cash equivalents, short-term investments, accounts receivable, other assets, note receivables, amounts due from related parties, equity investments without readily determinable fair values, accounts payable and other current liabilities, contract liabilities, amounts due to related party, short-term bank loans and long-term bank loans. The carrying amounts of these financial instruments, except for short-term investments, equity investments without readily determinable fair values and long-term bank loans, approximate their fair values because of their generally short maturities.

The fair value of the Company’s trading securities is measured using the income approach, based on quoted market interest rates of similar instruments and other significant inputs derived from or corroborated by observable market data.

The carrying amount of long-term bank loans approximates its fair value due to the fact that the related interest rates approximate market rates for similar debt instruments of comparable maturities.

For equity investments without readily determinable fair values, the Company elected to use the measurement alternative to measure those investments in the cases of an impairment charge is recognized, fair value of an investment is remeasured in an acquisition/a disposal, and an orderly transaction for identical or similar investments of the same issuer is identified. The non-recurring fair value measurements to the carrying amount of an investment usually requires management to estimate a price adjustment for the different rights and obligations between a similar instrument of the same issuer with an observable price change in an orderly transaction and the investment held by the Company. The valuation methodologies involved require management to use the observable transaction price at the transaction date and other unobservable inputs (level 3) such as volatility of comparable companies and probability of exit events as it relates to liquidation and redemption preferences.

	<b>Fair Value Measurements as of June 30, 2021</b>		
	<b>Quoted Price in Active Market for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable inputs (Level 3)</b>
<b><i>Fair value measurements</i></b>			
<i>Recurring</i>			
Short-term investments			
Trading securities	\$ -	\$ 4,158,535	\$ -

	<b>Fair Value Measurements as of June 30, 2020</b>		
	<b>Quoted Price in Active Market for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable inputs (Level 3)</b>
<b><i>Fair value measurements</i></b>			
<i>Recurring</i>			
Short-term investments			
Trading securities	\$ -	\$ 636,934	\$ -

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Fair value of financial instruments (continued)**

For the year ended June 30, 2021 and 2020, the Company recognized nil gain or loss for the equity investments using the measurement alternative. As of June 30, 2021 and 2020, the Company had no financial assets and liabilities measured and recorded at fair value on a non-recurring basis.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements in ASC 820. The Company adopted ASU 2018-13 on July 1, 2020, which has no material impact to the Company’s consolidated financial statements.

**Comprehensive income (loss)**

Comprehensive income (loss) is defined as the changes in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Accumulated other comprehensive income (loss) of the Company includes foreign currency translation adjustments related to the Company’s subsidiaries whose functional currency is not US\$.

**Statements of cash flows**

In accordance with ASC Topic 230, *Statement of Cash Flows* (“ASC 230”), cash flows from the Company’s operations are formulated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

**Concentrations and risks**

- Foreign currency risk

A majority of the Company’s expense transactions are denominated in Renminbi (“RMB”) and a significant portion of the Company and its subsidiaries’ assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates as set forth in the H.10 statistical release of the U.S. Federal Reserve Board. Remittances in currencies other than RMB by the Company in China must be processed through the People’s Bank of China (“PBOC”) or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

The functional currency for the Company’s PRC subsidiaries is the RMB, and the financial statements are presented in U.S. dollars. The RMB appreciated by depreciated by 3.7% in fiscal 2019, depreciated by 2.9% in fiscal 2020, and depreciated by 8.6% in fiscal 2021, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. The change in the value of the RMB relative to the U.S. dollar may affect the Company’s financial results reported in the U.S. dollar terms without giving effect to any underlying changes in its business or results of operations. Currently, the majority of the Company’s assets, liabilities, revenues and costs are denominated in RMB.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Concentrations and risks (continued)**

- Foreign currency risk (continued)

To the extent that the Company needs to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollar for the purpose of making payments for dividends, strategic acquisition or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Company.

- Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, account receivables, other assets, note receivables, and amounts due from related parties. As of June 30, 2021 and 2020, \$9,705,412 and \$11,027,764 of the Company’s cash and cash equivalents was on deposit at financial institutions in the PRC where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure. As of June 30, 2021, the Company and its subsidiaries had \$9,705,412, \$784,069, \$11,477, \$13,965,404, \$1,833, \$65,490, \$191,584 and \$14,113 of cash and cash equivalents on deposit at financial institutions in mainland China, Singapore, Australia, Hong Kong, India, Malaysia, Japan and America, respectively. As of June 30, 2020, the Company and its subsidiaries had \$11,027,764, \$940,854, \$8,350, \$516,816, \$1,496, \$58,789 and \$98,051 of cash and cash equivalents on deposit at financial institutions in mainland China, Singapore, Australia, Hong Kong, India, Malaysia and Japan, respectively. The Company continues to monitor the financial strength of the financial institutions. There has been no recent history of default in relation to these financial institutions.

The Company conducts credit evaluations on its customers and generally does not require collateral or other security from such customers. The Company periodically evaluates the creditworthiness of the existing customers in determining an allowance for doubtful accounts primarily based upon the age of the receivables and factors surrounding the credit risk of specific customers.

- Significant customers

For the years ended June 30, 2021, 2020 and 2019, one customer with its affiliates accounted for 19.1%, 21.5% and 25.7% of the Company’s total revenues, respectively. For the years ended June 30, 2021 and 2020, one customer and its affiliates accounted for 23.2% and 30.1% of the Company’s total accounts receivable balance, respectively.

**Risks and uncertainties**

The significant operations of the Company are located in the PRC. Accordingly, the Company’s business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the PRC, as well as by the general state of the PRC economy. The Company’s results may be adversely affected by changes in the political, regulatory and social conditions in the PRC. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations including its organization and structure disclosed in Note 1, may not be indicative of future results.

**Recent accounting pronouncements**

The Jumpstart Our Business Startups Act (“JOBS Act”) provides that an emerging growth company (“EGC”) as defined therein can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company has adopted the extended transition period.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, or ASU 2016-02, which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, or ASU 2018-10, to supersede ASU 2016-02. In addition, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, that provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity’s reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic ASC 840, *Leases*). In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, which amended the effective date of Topic 842, Leases*. The updated guidance is effective for the Company’s annual reporting period ending June 30, 2023 and interim periods during the year ending June 30, 2024. The Company does not plan to early adopt the new lease standards and the Company expects that applying the ASU 2016-02 would materially increase its assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated statements of comprehensive loss and cash flows.

**Recent accounting pronouncements (continued)**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, or ASU 2016-13*. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Company’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which clarifies that receivables arising from operating leases should be accounted for in accordance with ASC 842, *Leases (“ASC 842”)* instead of ASC Subtopic 326-20. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which amended the effective date of ASU 2016-13. The amendments in these ASUs are effective for the Company’s annual reporting period ending June 30, 2024 and interim periods during the year ending June 30, 2024. Early adoption is permitted. The Company does not expect to early adopt this guidance and is in the process of evaluating the impact of adoption of this guidance on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes. This standard removes certain exceptions related to the approach for intra period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. ASU 2019-12 is effective for the Company’s annual reporting period ending June 30, 2023 and interim periods during the year ending June 30, 2024. The Company does not expect to early adopt this guidance and is in the process of evaluating the impact of adoption of this guidance on the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. In March 2021, the FASB issued ASU 2021-03, *Intangibles-Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, which provide entities an accounting alternative to perform the goodwill impairment triggering event evaluation as of the end of the reporting period, whether the reporting period is a interim or annual period. The guidance begins to take effect for impairment tests performed during the fiscal year ending June 30, 2024. Earlier application is permitted. The guidance should be applied on a prospective basis. The Company does not expect to early adopt this guidance and is in the process of evaluating the impact of adoption of this guidance on the Company’s consolidated financial statements.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Recent accounting pronouncements (continued)**

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. The amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarify that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. The amendments are effective for fiscal years beginning July 1, 2022, and interim periods within those fiscal years. The Company does not expect to early adopt this guidance and is in the process of evaluating the impact of adoption of this guidance on the Company’s consolidated financial statements.

In May 2021, the FASB issued Accounting Standards Update 2021-04—*Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* (a consensus of the FASB Emerging Issues Task Force). The FASB is issuing this Update to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. Stakeholders asserted that there is diversity in an issuer’s accounting for economically similar modifications or exchanges of freestanding equity-classified written call options due to a lack of explicit guidance in the Codification. Stakeholders requested that the Board provide guidance that will clarify whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share (EPS) effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. The amendments in this Update are effective for all entities for fiscal years beginning July 1, 2022, including interim periods within those fiscal years. The Company does not expect to early adopt this guidance and is in the process of evaluating the impact of adoption of this guidance on the Company’s consolidated financial statements.

The Company does not believe other recently issued but not yet effective accounting statements, if recently adopted, would have a material effect on the Company’s consolidated balance sheets, consolidated statements of comprehensive income (loss) and consolidated statements of cash flows.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 3 – BUSINESS ACQUISITION AND DECONSOLIDATIONS**

***Acquisition of Huanyu***

On September 27, 2017, the Company made an investment of \$150,301 (RMB 1,000,000) for a 30% of equity interest in Huanyu which was accounted for as an equity method investment .

On May 24, 2019, the Company purchased the remaining 70% equity interest of Huanyu for \$66,959 (RMB 462,000) and became the sole shareholder of Huanyu.

The transaction was accounted for as a business combination using the purchase method of accounting. As the business combination was achieved in stages, the Company remeasured its previously held 30% of equity interest in Huanyu at its acquisition date fair value of \$152,312. A loss of \$19,682 was recognized in subsidies and other income net in relation to the remeasurement. The valuation considered a discount for lack of control premium and lack of marketability applied to the fair value of the acquired business of Huanyu, which was determined using the income approach.

The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 79,156
Accounts receivable, net	87,674
Prepayments, deposits and other assets, net	7,707
Accounts payable and other current liabilities	(5,310)
Goodwill	50,045
Previous held equity interests	152,312
Cash consideration	66,960
Total consideration	\$ 219,272

The goodwill is mainly attributable to the excess of the consideration paid over the fair value of the net assets acquired that cannot be recognized separately as identifiable assets under U.S.GAAP, and comprise the expected but unidentifiable business growth as a result of the synergy resulting from the acquisition. The goodwill is not tax deductible. No intangible assets were identified from the acquisition.

Pro forma financial information of Huanyu is not presented as the effects of the acquisition on the Company’s consolidated financial statements were not material.

***Acquisition and disposal of Infogain***

On August 20, 2018, CLPS SG acquired an 80% equity interest in Infogain located in Singapore from Sharma Devendra Prasad and Deepak Malhotra with the final purchase price of \$420,101 (or approximately 576,000 Singapore dollars “SGD”).

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 3 – BUSINESS ACQUISITION AND DECONSOLIDATIONS - continued**

The transaction was accounted for as a business combination using the purchase method of accounting. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The most significant variables in the valuation are discount rate, terminal value, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 6,843
Accounts receivable, net	458,943
Prepayments, deposits and other assets, net	14,454
Property and equipment, net	1,190
Intangible assets, net	337,685
Accounts payable and other current liabilities	(504,235)
Deferred tax liabilities	(57,406)
Noncontrolling interests	(64,879)
Goodwill	227,506
Total consideration	\$ 420,101

Identifiable intangible assets acquired include customer contracts, which were valued using an income approach and determined to carry estimated remaining useful lives of approximately three years.

The goodwill recognized represents the expected synergies and is not tax deductible.

Pro forma financial information of Infogain is not presented as the effects of the acquisition on the Company’s consolidated financial statements were not material.

On May 31, 2021, CLPS SG entered into an agreement with Sharma Devendra Prasad to sell its 80% interests in Infogain at a cash consideration of \$75,672 (SGD100,000). Sharma Devendra Prasad is the shareholder of the 20% noncontrolling interests in Infogain and was the original shareholder of the 80% interest in Infogain acquired by CLPS SG in 2019. After the disposal, the Company was no longer a shareholder of Infogain and deconsolidated Infogain’s financial results from the Company’s financial statements from June 1, 2021. The Company recognized a total gain of \$9,022 (SGD 11,921) from the transaction in “Other income, net” in the consolidated statements of comprehensive income (loss) for the year ended June 30, 2021. The deconsolidation of Infogain did not meet the definition of a discontinued operation in accordance with ASC 205-20, *Presentation of Financial Statements – Discontinued Operations* (“ASC 205-20”), as the disposal of Infogain did not represent a shift in the Company’s strategy that has (or will have) a major effect on an entity’s operations and financial results.

**Acquisition of Ridik Pte. and Ridik Consulting**

On September 26, 2019, Qiner acquired an 80% equity interest in Ridik Pte. Ltd. (“Ridik Pte.”) located in Singapore from third-party selling shareholders with the final purchase price of \$2,462,580 (SGD 3,402,304), in the form of cash of \$2,026,043 (SGD 2,799,180) and the Company’s common shares which were valued at \$436,537 (SGD 603,123). Ridik Sdn. Bhd. (“Ridik Sdn.”), Ridik Software Solutions Pte. Ltd. (“Ridik Software Pte.”) and Ridik Software Solutions Ltd. (“Ridik Software”) are all subsidiaries of Ridik Pte. On December 3, 2019, the Company issued 86,615 common shares with \$0.0001 par value per share to the selling shareholders.

The transactions were accounted for as business combinations using the purchase method of accounting. The purchase price allocations of the transactions were determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition dates. The most significant variables in the valuation are discount rates, terminal value, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 – BUSINESS ACQUISITION AND DECONSOLIDATIONS - continued**

The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<b>Amounts</b>
Cash acquired	\$ 474,323
Accounts receivable, net	618,144
Prepayments, deposits and other assets, net	103,697
Property and equipment, net	1,493
Customer relationship	904,748
Short-term bank loans	(48,103)
Accounts payable and other current liabilities	(128,688)
Tax payables	(102,978)
Salaries and benefits payable	(431,548)
Long-term bank loans	(44,201)
Deferred tax liabilities	(162,855)
Noncontrolling interests	(411,351)
Goodwill	1,689,899
Total consideration	\$ 2,462,580

Identifiable intangible assets acquired included customer relationship, which was valued using an income approach and determined to carry estimated remaining useful life of approximately ten years.

On January 6, 2020, Ridik Pte. acquired 100% equity interest in Ridik Consulting Private Limited (“Ridik Consulting”) from third-party selling shareholders with the final purchase price of \$5,520 (396,700 Indian Rupees). The fair value of the net liabilities acquired was \$3,839 (275,800 Indian Rupees) and goodwill was recognized at \$9,359 (672,500 Indian Rupees).

The goodwill recognized represents the expected synergies and is not tax deductible.

Pro forma financial information of Ridik Pte. and Ridik Consulting are not presented as the effects of the acquisition on the Company’s consolidated financial statements were not material.

***Acquisition of CareerWin***

In January 2021, JAJI China entered into an agreement with CareerWin to purchase CareerWin’s 30% equity interest in JAJI HR. JAJI China previously owned 70% of JAJI HR. After the transaction, JAJI China owned 100% of JAJI HR. At the same time, JAJI HR entered into a share purchase agreement with shareholders of CareerWin to purchase 100% equity interests of CareerWin to expand headhunting business, with JAJI China completing the purchase of 30% equity interest of JAJI HR as one of the pre-closing conditions. The total cash consideration of both transactions was \$ 308,975 (RMB2 million). The total consideration was allocated to the acquisition of 100% equity interests in CareerWin and the acquisition of 30% noncontrolling interest in JAJI HR (Note 19) at \$289,980 (RMB1.88 million) and \$ 18,995 (RMB0.12 million), respectively.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 3 – BUSINESS ACQUISITION AND DECONSOLIDATIONS - continued**

The acquisition of the 100% equity interest in Careerwin was completed on March 3, 2021 and was accounted for as a business combination using the purchase method of accounting. The purchase price allocation of the transaction was determined by the Company with the assistance of an independent appraisal firm based on the estimated fair value of the assets acquired and liabilities assumed as of the acquisition date. The most significant variables in the valuation are discount rate, terminal value, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The purchase price allocation to assets acquired and liabilities assumed as of the date of acquisition was as follows:

	<u>Amounts</u>
Cash acquired	\$ 4,037
Accounts receivable, net	24,811
Property and equipment, net	2,117
Intangible assets, net	126,680
Accounts payable and other current liabilities	(71,488)
Tax payables	(2,576)
Salaries and benefits payable	(5,099)
Deferred tax liabilities	(25,336)
Goodwill	236,834
Total consideration	<u>\$ 289,980</u>

Identifiable intangible assets acquired include customer relationship, which were valued using an income approach and determined to carry estimated remaining useful lives of approximately five years. The goodwill recognized represents the expected synergies and is not tax deductible

Pro forma financial information of CareerWin is not presented as the effects of the acquisition on the Company’s consolidated financial statements were not material.

***Other Acquisition***

During the year ended June 30, 2021, the Company also completed another insignificant business combination with total cash purchase consideration of \$18,533 (RMB 0.12 million).

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consisted of the following:

	As of June 30,	
	2021	2020
Trade accounts receivable	\$ 44,448,073	\$ 25,850,996
Less: allowance for doubtful accounts	(309,076)	(97,140)
Accounts receivable, net	\$ 44,138,997	\$ 25,753,856

The movement of the allowance for doubtful accounts is as follows:

	As of June 30,	
	2021	2020
Balance at the beginning of the year	\$ 97,140	\$ 81,745
Provision for doubtful accounts	214,734	36,450
Recovery of doubtful accounts	(16,994)	(18,739)
Foreign currency translation adjustments	14,196	(2,316)
Balance at the end of the year	\$ 309,076	\$ 97,140

**NOTE 5 – PREPAYMENTS, DEPOSITS AND OTHER ASSETS, NET**

Prepayments, deposits and other assets, net consisted of the following:

	As of June 30,	
	2021	2020
Prepaid expenses	\$ 1,559,176	\$ 388,010
Advances and deposits to suppliers	651,402	633,706
Contract assets	513,199	233,149
Deferred contract costs	376,138	106,734
Due from Infogain	185,906	-
Note receivables	127,027	110,744
Advances to employees	13,755	53,011
Due from Judge Asia	-	212,447
Less: allowance for doubtful accounts	-	(212,447)
Total	3,426,603	1,525,354
Less: non-current portion	(896,145)	(244,387)
Prepayments, deposits and other assets – current portion	\$ 2,530,458	\$ 1,280,967

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in U.S. dollars (“\$”), except for number of shares)

**NOTE 5 – PREPAYMENTS, DEPOSITS AND OTHER ASSETS, NET - continued**

The movement of the allowance for doubtful accounts is as follows:

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
Balance at the beginning of the year	\$ 212,447	\$ 147
Provision (reversal) for doubtful accounts	-	213,422
Write-off	(230,032)	(144)
Foreign currency translation adjustment	17,585	(978)
Balance at the end of the year	<u>\$ -</u>	<u>\$ 212,447</u>

**NOTE 6 – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of the following:

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
Equipment	\$ 1,047,227	\$ 737,833
Office Furniture	147,207	130,026
Automobiles	122,903	78,206
Leasehold improvements	614,680	416,936
Construction in progress	-	73,672
Total	<u>1,932,017</u>	<u>1,436,673</u>
Less: accumulated depreciation	<u>(1,331,226)</u>	<u>(984,201)</u>
Property and equipment, net	<u>\$ 600,791</u>	<u>\$ 452,472</u>

Depreciation expense was \$404,063, \$360,302, and \$239,349 for the years ended June 30, 2021, 2020 and 2019, respectively. No impairment loss was recognized for the years ended June 30, 2021, 2020 and 2019.

**NOTE 7 – INTANGIBLE ASSETS, NET**

As of June 30, 2021 and 2020, intangible assets, net consisted of the following:

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
Customer contracts	\$ 356,870	\$ 658,224
Customer relationship	1,056,162	896,572
Software	80,330	63,884
Less: accumulated amortization	<u>(442,863)</u>	<u>(474,101)</u>
Intangible assets, net	<u>\$ 1,050,499</u>	<u>\$ 1,144,579</u>

During the year ended June 30, 2020, customer relationship of \$896,572 was derived from the acquisition of Ridik Pte. with an estimated useful life of 10 years. During the year ended June 30, 2021, customer relationship of \$127,002 was derived from the acquisition of CareerWin with an estimated useful life of 5 years (Note 3).

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 – INTANGIBLE ASSETS, NET - continued**

The movement of intangible assets, net is as follow:

	<b>For the year ended June 30, 2021</b>
Balance as of July 1, 2020	\$ 1,144,579
Addition	137,006
Amortization	(273,178)
Disposal	(9,724)
Foreign currency translation adjustment	51,816
Balance as of June 30, 2021	\$ 1,050,499

The amortization expenses were \$273,178, \$232,871 and \$164,351 for the years ended June 30, 2021, 2020 and 2019. Estimated future amortization expenses are as follows:

<b>Year ending June 30,</b>	<b>Amortization expense</b>
2021	\$ 189,148
2022	184,631
2023	134,592
2024	129,366
2025	110,786
2026 and after	301,976
Total	\$ 1,050,499

No impairment losses were recognized for the years ended June 30, 2021, 2020 and 2019.

**NOTE 8 – GOODWILL**

The changes in the carrying amount of goodwill for the year ended June 30, 2021 were as follows:

	<b>For the year ended June 30, 2021</b>
Balance as of July 1, 2020	\$ 2,118,700
Goodwill arising from acquisition of CareerWin (Note 3)	236,834
Goodwill disposed due to disposal of Infogain	(263)
Foreign currency translation adjustment	89,679
Balance as of June 30, 2021	\$ 2,444,950

The Company has only one reporting unit. For the years ended June 30, 2021 and 2020, the Company performed a qualitative assessment of the goodwill for the reporting unit based on the requirements of ASC 350-20. The Company evaluated all relevant factors, weighed all factors in their entirety and concluded that it was not more-likely-than-not that the fair value of the reporting unit was less than its carrying amount. Therefore, further impairment testing on goodwill was unnecessary as of June 30, 2021 and 2020, respectively.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 – LONG-TERM INVESTMENTS**

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
<i>Equity investments without readily determinable fair values</i>		
CLPS Lihong Financial Information Services Co., Ltd. (“CLPS Lihong”)	558,509	510,405
Guangdong Zhichuang Software Technology Co., Ltd. (“Guangdong Zhichuang”)	92,928	-
Shenzhen Huaqin Robotics Co., Ltd. (“Huaqin Robotics”)	154,880	-
<b>Total equity investments without readily determinable fair values</b>	<b>806,317</b>	<b>510,405</b>
<i>Equity method investments</i>		
Economic Modeling Information Technology Co., Ltd. (“EMIT”)	134,750	169,726
Shanghai Shier Information Technology Co., Ltd. (“Shier”)	73,717	-
<b>Total equity method investments</b>	<b>208,467</b>	<b>169,726</b>
<b>Total</b>	<b>\$ 1,014,784</b>	<b>\$ 680,131</b>

*Equity investments without readily determinable fair values*

In accordance with ASC 321, the Company elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

The carrying amount of investments without readily determinable fair values was USD806,317 (RMB 5.21 million) and USD510,405 (RMB 3.61 million) as of June 30, 2021 and 2020, respectively. No downward adjustments (including impairment charges) or upward adjustments was recognized on equity investments without readily determinable fair value for the years ended June 30, 2021, 2020 and 2019.

*Equity method investments*

On April 3, 2019, the Company purchased a 30% equity interest of EMIT at nil consideration with a committed to invest \$445,454.14 (RMB 3.00 million) in total within 20 years. During the years ended June 30, 2021 and 2020, the Company made capital contribution to EMIT of nil and \$143,299 (RMB 1.00 million), respectively.

On February 3, 2021, the Company purchased a 35% equity interest of Shier at a cash consideration of \$83,228 (RMB 0.54 million).

The Company accounts for the investments in EMIT and Shier as equity method investments due to its significant influence over the entities. The carrying amount of the Company’s equity method investments were USD208,467 and USD169,726 as of June 30, 2021 and 2020, respectively.

The Company recorded a loss of \$ 44,121, a profit of \$ 207,363 and a loss of \$ 145,329 from equity investments accounted for using equity method for the years ended June 30, 2021, 2020 and 2019, respectively. No impairment loss was recognized for the years ended June 30, 2021, 2020 and 2019.

The carrying amount of the equity method investments in excess of the Company’s proportionate interest was not material and recognized as equity method goodwill.

Selected financial information of the equity method investees are not presented as the effects were not material.

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**NOTE 10 – BANK LOANS**

Outstanding balances of bank loans consisted of the following:

	As of June 30,	
	2021	2020
Loan from Bank of Shanghai Pudong Development	\$ 4,425,504	-
Loan from Bank of Communication	3,097,605	\$ 1,132,327
Loans from Development Bank of Singapore	23,374	60,681
Loans from China Merchants Bank	-	990,785
<b>Total bank loans</b>	<b>\$ 7,546,483</b>	<b>\$ 2,183,793</b>
Less: Non-current portion	(9,644)	(22,554)
<b>Short-term bank loans and long-term bank loans – current portion</b>	<b>\$ 7,536,839</b>	<b>\$ 2,161,239</b>

Bank loans payable consisted of several bank loans denominated in RMB and SGD.

On April 20, 2018, the Company entered into a credit facility with Development Bank of Singapore which permits the Company to borrow up to \$86,071 (SGD 0.12 million). On the same date, the Company borrowed \$86,071 (SGD 0.12 million) with an interest rate at 7% per annum which is repaid by installments from April 20, 2018 to April 19, 2021. The credit facility is guaranteed by Srustijeet Mishra, the former noncontrolling interest shareholder of Ridik Pte.

On February 11, 2019, the Company entered into a credit facility with Development Bank of Singapore which permits the Company to borrow up to \$50,208 (SGD 0.07 million). On the same date, the Company borrowed \$50,208 (SGD 0.07 million) with an interest rate at 6.75% per annum which is repayable by installments from 2019 to 2023. The Company repaid \$28,659 (SGD 0.04 million) by the end of June 30, 2021. The amount of \$9,644 (SGD 0.01 million) due after June 30, 2022 was classified as “Bank loans, non-current”.

On December 5, 2019, the Company entered into a credit facility with Bank of Communication which permits the Company to borrow up to \$707,704 (RMB 5.00 million). On the same date, the Company borrowed \$707,704 (RMB 5.00 million) with an interest rate at 4.785% per annum which was repaid on July 3, 2020.

On December 16, 2019, the Company entered into a revolving credit facility with China Merchants Bank (“CMB Credit Facility 2019”) which permits the Company to borrow up to approximately \$2,830,816 (RMB 20.00 million) for the period from December 16, 2019 to December 15, 2020 with an interest rate at 4.5% to 4.785% per annum. The CMB Credit Facility 2019 is guaranteed by the CEO, the wife of the CEO, Chairman, and the wife of Chairman of the Company as joint guarantors. On March 9, 2020 and April 22, 2020, the Company borrowed a total of \$2,689,275 (RMB 19.00 million) with an interest rate at 4.5% to 4.785% per annum which was repaid on April 21, 2020 and July 7, 2020. On December 9, 2020, the Company borrowed a total of \$3,097,606 (RMB 20.00 million) with an interest rate at 4.350% per annum which was repaid on June 9, 2021.

On January 8, 2020, the Company entered into a credit facility with Bank of Communication which permits the Company to borrow up to \$424,622 (RMB 3.00 million). On the same date, the Company borrowed \$424,622 (RMB 3.00 million) with an interest rate at 4.785% per annum which was repaid on July 6, 2020.

On July 7, 2020, the Company entered into a credit facility with Bank of Communication which permits the Company to borrow up to \$1,239,042 (RMB 8.00 million). On July 8, 2020, the Company borrowed \$1,239,042 (RMB 8.00 million) with an interest rate at 4.100% per annum and repaid the loan on September 9, 2020 and May 21, 2021.

**CLPS INCORPORATION**  
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**NOTE 10 – BANK LOANS - continued**

On November 18, 2020, the Company entered into a credit facility with Bank of Communication which permits the Company to borrow up to \$1,084,162 (RMB 7.00 million). On November 19, 2020, the Company borrowed \$1,084,162 (RMB 7.00 million) with an interest rate at 4.050% per annum which was repaid on May 21, 2021.

On December 7, 2020, the Company entered into a credit facility with Bank of Shanghai which permits the Company to borrow up to \$ 774,401 (RMB 5.00 million). On the same date, the Company borrowed \$ 696,961 (RMB 4.50 million) with an interest rate at 4.200% per annum which was repaid on April 20, 2021.

On March 25, 2021, the Company entered into a loan contract with Shanghai Pudong Development Bank. On the same date, the Company borrowed \$1,548,803 (RMB 10.00 million) with an interest rate at 4.000% per annum which will be repaid by installments from March 25, 2021 to March 24, 2022.

On April 6, 2021, the Company entered into a credit facility with Bank of Communication which permits the Company to borrow up to \$1,858,563 (RMB 12.00 million). On April 7, 2021, the Company borrowed \$ 1,858,563(RMB 12.00 million) with an interest rate at 4.050% per annum which will be repaid by April 1, 2022. On June 7, 2021, the Company entered into a loan contract with Shanghai Pudong Development Bank. On the same date, the Company borrowed \$1,548,803 (RMB 10.00 million) with an interest rate at 4.000% per annum which will be repaid by June 6, 2022.

On June 7, 2021, the Company entered into a letter of credit agreement with Shanghai Pudong Development Bank to borrow up to \$688,883 (RMB 4.45 million). On June 9, 2021, the Company borrowed \$688,883 (RMB 4.45 million) from the bank which will be repaid by December 6, 2021. Bank fees and interests of \$13,379 (RMB 0.09 million), which approximates to an interest rate at 4.16% per annum, has been paid to the bank upfront in June 2021, and was amortized as interest expense using the effective interest method.

On June 25, 2021, the Company entered into a letter of credit agreement with Shanghai Pudong Development Bank to borrow up to \$664,646 (RMB 4.29million). On the same date, the Company borrowed \$664,646 (RMB 4.29million) from the bank which will be repaid by December 20, 2021. Bank fees and interests of \$13,802 (RMB 0.09 million), which approximates to an interest rate at 4.05% per annum, has been paid to the bank upfront in June 2021, and was amortized as interest expense using the effective interest method.

On June 7, 2021, the Company entered into a credit facility with Bank of Communication which permits the Company to borrow up to \$ 1,239,042 (RMB 8.00 million). On June 8, 2021, the Company borrowed \$ 1,239,042 (RMB 8.00 million) with an interest rate at 4.050% per annum which will be repaid by June 7, 2022.

Interest expenses were \$156,749, \$90,940 and \$96,278 for the years ended June 30, 2021, 2020 and 2019, respectively. The effective weighted average interest rates were 4.160%, 4.168% and 5.231% for the years ended June 30, 2021, 2020 and 2019, respectively.

**NOTE 11 – SALARIES AND BENEFITS PAYABLE**

Full time employees of the Company located in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Company accrued for these benefits based on certain percentages of the employees’ salaries. Salaries and benefits payable included \$1,561,677 and \$2,319,120 accrued employer portion of social benefits payable to local governments as of June 30, 2021 and 2020, respectively.

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**NOTE 12 – RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. The related parties that had transactions or balances with the Company in 2021 and 2020 consisted of:

<b>Related Party</b>	<b>Relationship with the Company</b>
Judge Asia	Noncontrolling interest shareholder of JAJI China before November 9, 2019
Xiao Feng Yang	Chairman of the Board
Raymond Ming Hui Lin	CEO of the Company
EMIT	Equity investee of the Company
CareerWin	Noncontrolling interest shareholder of JAJI HR before January 28, 2021
Srustijeet Mishra	Noncontrolling interest shareholder of Ridik Pte. before January 29, 2021
Beijing Bright Technology Co., Ltd (“Beijing Bright”)	Noncontrolling interest shareholder of JAJI China
CLPS Lihong	Equity investee of the Company

(a) Related party balances

The balances due from and due to related parties were as follows:

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
Due from related parties:		
EMIT	\$ 152,367	\$ -
Beijing Bright	393,761	-
Raymond Ming Hui Lin	-	169,185
Total	<u>\$ 546,128</u>	<u>\$ 169,185</u>

Due from related parties mainly represents loan provided to EMIT and software development fee prepaid to Beijing Bright.

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
Due to related parties:		
EMIT	\$ 183,148	\$ -

Due to related parties mainly represents the unpaid consulting service fee.

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**NOTE 12 – RELATED PARTY TRANSACTIONS - continued**

(b) Related party transactions

	For the year ended,		
	2021	2020	2019
<b>a) Consulting services provided to the related parties</b>			
CareerWin	\$ -	\$ 165,161	\$ -
CLPS Lihong	269,472	-	-
	<u>\$ 269,472</u>	<u>\$ 165,161</u>	<u>\$ -</u>
<b>b) Services provided by the related parties</b>			
CareerWin	\$ -	\$ 195,817	\$ -
Beijing Bright	604,033	165,040	-
EMIT	758,976	209,318	-
	<u>\$ 1,363,009</u>	<u>\$ 570,175</u>	<u>\$ -</u>
<b>c) Loans provided to the related parties</b>			
CLPS Lihong	\$ -	\$ 149,341	\$ 820,982
EMIT	151,783	28,446	-
	<u>\$ 151,783</u>	<u>\$ 177,787</u>	<u>\$ 820,982</u>
<b>d) Repayment of loans from the related parties</b>			
CLPS Lihong	\$ -	\$ 149,341	\$ 820,982
EMIT	-	28,446	-
	<u>\$ -</u>	<u>\$ 177,787</u>	<u>\$ 820,982</u>
<b>e) Interest income received from the related party</b>			
CLPS Lihong	-	2,328	33,096
	<u>\$ -</u>	<u>\$ 2,328</u>	<u>\$ 33,096</u>

The CEO, the wife of the CEO, Chairman, and the wife of Chairman of the Company provided joint guarantee to the revolving credit facility entered by the Company with China Merchants Bank on June 22, 2018 and December 16, 2019 (Note 10).

Surstijet Mishra, the former noncontrolling interest shareholder of Ridik Pte. provided guarantee to a credit facility up to \$86,071 (SGD 120,000) entered by the Company with Development Bank of Singapore on April 20, 2018 (Note 10).

**CLPS INCORPORATION**  
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**NOTE 13 – TAXES**

**(a) Corporate Income Taxes (“CIT”)**

CLPS was incorporated in the Cayman Islands as an offshore holding company and is not subject to tax on income or capital gain under the laws of Cayman Islands.

CLPS Hong Kong, Qiner, Qineng and Qinson were established in Hong Kong and are subject to Hong Kong profits tax of 16.5% on its activities conducted in Hong Kong. CLPS SG, Ridik Pte., Ridik Software Pte. and Infogain (disposed in FY2021) are subject to Singapore income tax at the rate of 17%. CLPS Ridik AU was established in Australia. Australian enterprises are usually subject to a unified 30% enterprise income tax rate while CLPS Ridik AU is subject to corporate income tax at 27.5% as a small company in the fiscal year 2021, 2020 and 2019. CLPS Japan was established in Japan and is subject to statutory income tax at 23.2%. Ridik Consulting was established in India and is subject to statutory income rate at 18.5%. Ridik Sdn. was established in Malaysia and is subject to statutory income tax rate at 24%. CLPS US was established in US and is subject to federal tax at a rate of 21% and state tax at a rate of 0% in Delaware, CLPS California was established in US and is subject to federal tax at a rate of 21% and state tax at a rate of 8.84% in California.

Under the Enterprise Income Tax (“EIT”) Law of PRC, domestic enterprises and Foreign Investment Enterprises (the “FIE”) are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays and tax exemption may be granted if qualified. EIT Law grants a preferential tax rate to High and New Technology Enterprises (“HNTEs”). An enterprise qualified as HNTE and awarded with the “HNTE” certificate may enjoy a reduced EIT rate of 15%. CLPS Shanghai, the Company’s main operating subsidiary in PRC, was recognized as qualified HNTEs since 2013. Its latest qualified periods are for 2019 to 2021 and it enjoys a preferential tax rate of 15%. The impact of the preferential tax treatment noted above decreased income taxes by \$344,653, \$193,004 and \$217,671 for the fiscal year 2021, 2020 and 2019, respectively.

Income (loss) before income taxes

	For the years ended June 30,		
	2021	2020	2019
PRC	\$ 14,814,221	\$ 9,266,586	\$ 6,082,916
Non-PRC	(6,493,761)	(5,559,127)	(9,183,561)
	\$ 8,320,460	\$ 3,707,459	\$ (3,100,645)

The following table reconciles the statutory rate to the Company’s effective tax rate:

	For the years ended June 30,		
	2021	2020	2019
PRC statutory income tax rate	25.0%	25.0%	25.0%
Effect of income tax rate difference in other jurisdictions	19.1%	36.8%	(70.7)%
Effect of tax rate changes on deferred taxes	(0.5)%	4.5%	3.6%
Effect of PRC preferential tax rate and tax holidays	(5.3)%	(7.8)%	7.0%
Research and development credits	(28.9)%	(52.4)%	53.4%
Withholding tax	11.7%	-	-
Intercompany transfers	7.5%	-	-
Tax receivable	-	-	5.8%
Deferred tax	(0.3)%	(0.1)%	(12.8)%
Change in valuation allowances	(16.7)%	12.1%	(17.0)%
Others	3.5%	4.4%	(0.3)%
Effective tax rate	15.1%	22.5%	(6.0)%

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**NOTE 13 – TAXES - continued**

**(a) Corporate Income Taxes (“CIT”) (continued)**

The provision (benefit) for income tax consists of the following:

	For the years ended June 30,		
	2021	2020	2019
Current income tax	\$ 1,670,733	\$ 662,704	\$ 86,506
Deferred income tax	(413,609)	172,740	100,109
Total provision for income tax expenses	\$ 1,257,124	\$ 835,444	\$ 186,615

As of June 30, 2021 and 2020, the Company had net operating loss carry forwards of approximately \$1,574,933 and \$5,721,651, respectively, from the Company’s PRC subsidiaries, which will expire between 2021 and 2026 if not utilized. As of June 30, 2021, the Company had net operating loss carry forwards of approximately \$816,827, \$257,038, \$152,840, \$83,468, and \$92,381 from its operations in Singapore, Australia, Hong Kong, Japan and US, respectively. The net operating losses in Singapore, Australia and Hong Kong will be carried forward indefinitely while the net operating losses in Japan and India will be carried forward for 10 years and 8 years, respectively.

The significant components of the deferred tax assets and liabilities are as follows:

	As of June 30,	
	2021	2020
Deferred tax assets:		
Net operating loss carry forwards	\$ 611,315	\$ 1,589,884
Accrued expenses	181,730	150,184
Share of investee’s loss	12,823	7,123
Others	93,385	86,061
Valuation allowances	(291,480)	(1,630,005)
Total deferred tax assets	\$ 607,773	\$ 203,247
Deferred tax liabilities:		
Intangible assets	\$ 154,022	\$ 160,911
Share of investee’s income	1,011	2,252
Total deferred tax liabilities	\$ 155,033	\$ 163,163

Realization of the net deferred tax assets is dependent on factors including future reversals of existing taxable temporary differences and adequate future taxable income, exclusive of reversing deductible temporary differences and tax loss or credit carry forwards. As of June 30, 2021 and 2020, valuation allowances were provided against deferred tax assets in entities which were in a three-year cumulative losses position and/or are not forecasted to turn profits in the foreseeable future.

As of June 30, 2020, the Company intends to permanently reinvest the undistributed earnings from PRC subsidiaries to fund future operations and thus no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company’s subsidiaries established in the PRC. In current year, the Company made a distribution and accrued withholding taxes of \$994,941. As of June 30, 2021, the Company intends to permanently reinvest the remaining undistributed earnings from PRC subsidiaries to fund future operations and thus no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company’s subsidiaries established in the PRC. As of June 30, 2021, and 2020, the taxable temporary differences for unrecognized deferred tax liabilities related to investments in foreign subsidiaries were \$20,328,999 and \$20,977,600, respectively. The amount of unrecognized deferred tax liabilities for temporary differences related to investments in foreign subsidiaries is not determined because such a determination is not practicable.

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**NOTE 13 – TAXES - continued**

**(a) Corporate Income Taxes (“CIT”) (continued)**

Uncertain tax positions

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. It is possible that the amount of unrecognized benefit will further change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment. Unrecognized tax benefits were presented in “other non-current liabilities” in the consolidated balance sheets. As of June 30, 2021, the Company had unrecognized tax benefits of \$1,333,608 if ultimately recognized, will impact the effective tax rate. The Company has presented unrecognized tax benefits of \$750,616 on a net basis with deferred tax assets relating to tax losses carry forward, \$208,109 of which a full valuation allowance would otherwise be recorded. The Company record interests of \$53,826 and zero penalties related to potential underpaid income tax expenses for the years ended June 30, 2021 and zero interests and penalties for the years ended June 30, 2020.

A reconciliation of the beginning and ending amount of unrecognized tax benefit was as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Balance at July 1	\$ 194,939	\$ 128,467	\$ -
Increase	1,139,596	228,358	128,467
Decrease	(47,149)	(157,906)	-
Foreign currency translation adjustment	46,222	(3,980)	-
Balance at June 30	<u>\$ 1,333,608</u>	<u>\$ 194,939</u>	<u>\$ 128,467</u>

As of June 30, 2021, the tax years ended December 31, 2016 through December 31, 2020 for the Company’s PRC entities remain open for statutory examination by PRC tax authorities.

**(b) Tax Payables**

The Company’s tax payables consist of the following:

	<u>As of June 30,</u>	
	<u>2021</u>	<u>2020</u>
VAT payable	\$ 770,853	\$ 532,649
Corporate income tax payable	40,211	225,311
Withholding tax payable	275,208	194,747
Disability insurance fund payable	565,806	438,759
Other tax payables	62,931	35,148
Total tax payables	<u>\$ 1,715,009</u>	<u>\$ 1,426,614</u>

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**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

***Long-term leases commitments***

The Company’s subsidiaries lease administrative office space under various operating leases. Rental expenses recognized using the straight-line basis under operating leases amounted to \$942,606, \$944,645 and \$827,593 for the years ended June 30, 2021, 2020 and 2019, respectively.

Future minimum lease payments under non-cancellable operating leases are as follows:

<b>Twelve months ending June 30,</b>	<b>Lease expense</b>
2022	\$ 1,045,953
2023	639,010
2024	429,168
Total	<u>\$ 2,114,131</u>

***Capital commitments***

The Group’s capital commitments primarily relate to commitments in connection with the acquisition of real estate property. Total capital commitments contracted but not yet reflected in the financial statements amounted to \$3,302,944 (HKD 25,650,000) as of June 30, 2021. Almost all of the commitments relating to the acquisition of real estate property are to be fulfilled within one year.

***Investment commitments***

The Group’s investment commitments primarily relate to capital contribution obligations under certain arrangements which do not have contractual maturity date. The total investment commitments contracted but not yet reflected in the consolidated financial statements amounted to \$500,304, of which \$206,032 has been fulfilled in August 2021.

***Contingencies***

From time to time, the Company is subject to legal proceedings, investigations, and claims incidental to the conduct of its business. The Company is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Company’s business, financial position, results of operations or cash flows.

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**NOTE 15 – EARNINGS (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted earnings (loss) per share for the periods indicated:

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Basic earnings (loss) per share calculation:</b>			
Numerator:			
Net income (loss) attributable to common shares	\$ 6,816,572	\$ 2,938,239	\$ (3,269,776)
Denominator:			
Weighted average common shares outstanding	17,279,443	14,689,224	13,843,764
Basic earnings (loss) per share attributable to common shares	\$ 0.39	\$ 0.20	\$ (0.24)
<b>Diluted earnings (loss) per share calculation:</b>			
Numerator:			
Net income (loss) attributable to common shares for calculating diluted earnings per share	\$ 6,816,572	\$ 2,938,239	\$ (3,269,776)
Denominator:			
Weighted average common shares outstanding	17,279,443	14,689,224	13,843,764
Weighted average common shares equivalents:			
Effects of dilutive securities			
Warrants	-	-	-
Share options	179,479	-	-
RSUs	110,518	3,075	-
Shares used in computing diluted earnings per share attributable to common shares	17,569,440	14,692,299	13,843,764
Diluted earnings (loss) per share attributable to common shares	\$ 0.39	\$ 0.20	\$ (0.24)

For the year ended June 30, 2021, warrants were out-of-the-money with no dilutive effect. For the year ended June 30, 2020, warrants and options were out-of-the-money with no dilutive effect. For the year ended June 30, 2019, warrants, RSUs and options were excluded from the computation of diluted loss per share as the effects were antidilutive.

**CLPS INCORPORATION**  
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**NOTE 16 – WARRANTS**

***Warrants issued on May 24, 2018***

In connection with the closing of the Company’s IPO on May 24, 2018, the Company issued 283,192 warrants to several placement agents of the IPO. Each warrant entitles the warrant holder to purchase the Company’s common shares at \$4.20 or \$6.3 per share. The warrants carry a term of five years expiring in May 2023 and shall not be exercisable for a period of 180 days from May 23, 2018. During the year ended June 30, 2019, 176,192 warrants were exercised and 99,380 common shares were issued. During year ended June 30, 2020, no warrants were exercised. During year ended June 30, 2021, 107,000 warrants were exercised and 65,542 common shares were issued. As of June 30, 2021 and 2020, nil and 107,000 warrants were issued and outstanding respectively.

The warrants are classified as equity contracts and measured at the grant date fair value. The Company used the Black-Scholes option pricing model to estimate the fair value of warrants. The assumptions used to value the Company’s warrants were as follows:

	<b>For the year ended June 30, 2018</b>
Expected term (in years)	2.75
Expected volatility	49.39%
Risk-free interest rate	2.11%

Expected term represents the weighted average period of time that the warrants granted are expected to be outstanding giving consideration to historical exercise patterns. Expected volatilities are based on similar public companies’ volatilities of the similar public companies’ common shares over the respective expected terms of share-based awards. Risk-free interest rate is based on US Treasury zero-coupon issues with maturity terms similar to the expected term on the warrants. The aggregated fair value of the public offering warrants on May 24, 2018 was \$612,223.

***Warrants issued on March 3, 2021***

On March 3, 2021, the Company issued 2,666,666 warrants to with certain accredited investors concurrently with the private placement transaction (Note 18). Each warrant to purchase one common share of the Company at \$6.0 per share and can be exercised prior to the termination date which is September 3, 2026. During year ended June 30, 2021, no warrants were exercised. As of June 30, 2021, 2,666,666 warrants were issued and outstanding.

The warrants are classified as equity contracts and measured at the grant date fair value. The Company used the Black-Scholes option pricing model to estimate the fair value of warrants. The assumptions used to value the Company’s warrants were as follows:

	<b>For the year ended June 30, 2021</b>
Expected term (in years)	5.50
Expected volatility	41.48%
Risk-free interest rate	0.83%

Expected term represents the weighted average period of time that the warrants granted are expected to be outstanding giving consideration to historical exercise patterns. Expected volatilities are based on similar public companies’ volatilities of the similar public companies’ common shares over the respective expected terms of share-based awards. Risk-free interest rate is based on US Treasury zero-coupon issues with maturity terms similar to the expected term on the warrants. The aggregated fair value of the public offering warrants on May 3, 2021 was \$3,413,332.

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**NOTE 17 – SHARE-BASED PAYMENT**

**a) The 2017 Stock Incentive Plan (the “2017 Plan”)**

In November 2017, the Company’s shareholders and Board of Directors (“Board”) approved the 2017 Plan. The 2017 Plan provides for discretionary grants of, among others, RSU, stock options, stock awards and stock unit awards to key employees and directors of the Company. The purpose of the Plan is to recognize contributions made to the Company by such individuals and to provide them with additional incentive to achieve the objectives of the Company. The Board authorized up to 2,210,000 shares for grants under the terms of the 2017 Plan. The grants under the 2017 Plan generally have a maximum contractual term of ten years from the date of grant. The terms of individual agreements for various grants under the Plan will be determined by the Board (or its Compensation Committee) and may contain both service and performance conditions.

**b) 2019 Equity Incentive Plan (the “2019 Plan”)**

In April 2019, the Company’s shareholders and Board approved the 2019 Plan. The 2019 Plan provides for discretionary grants of, among others, stock options, stock awards and stock unit awards to key employees and directors of the Company. The purpose of the 2019 Plan is to recognize contributions made to the Company by such individuals and to provide them with additional incentive to achieve the objectives of the Company. The Board authorized up to 2,220,000 shares for grants under the terms of the 2019 Plan. No award was granted under the 2019 Plan.

**c) 2020 Equity Incentive Plan (the “2020 Plan”)**

In April 2020, the Company’s shareholders and Board approved the 2020 Plan. The 2020 Plan is to cancel the rest of authorized shares not granted under the 2017 and 2019 Plan. The 2020 Plan provides for discretionary grants of, among others, stock options, stock awards and stock unit awards to key employees and directors of the Company. The purpose of the 2020 Plan is to recognize contributions made to the Company by such individuals and to provide them with additional incentive to achieve the objectives of the Company. The Board authorized up to 11,011,663 shares for grants under the 2020 Plan. The grants under the 2020 Plan generally have a maximum contractual term of five years from the date of grant. The terms of individual agreements for various grants under the Plan will be determined by the Board (or its Compensation Committee) and may contain both service and performance conditions.

***Stock Options***

On November 20, 2018, the Company granted an aggregate of 306,967 stock options to key employees and senior executives under the 2017 Plan. The stock options are valid for a period of 10 years from the grant date and vest 25% per year in equal annual installments at the end of each anniversary over a four-year period, with the first 25% vesting on November 20, 2019 and the second, third and fourth 25% vest on November 20, 2020, 2021 and 2022, respectively.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17 – SHARE-BASED PAYMENT - continued**

On November 27, 2019, the Company granted an aggregate of 775,250 stock options to key employees and senior executives under the 2017 Plan. The stock options are valid for a period of 5 years from the grant date and vest 25% per year in equal annual installments at the end of each anniversary over a four-year period, with the first 25% vesting on November 27, 2020 and the second, third and fourth 25% vest on November 27, 2021, 2022 and 2023, respectively.

On November 6, 2020, the Company granted an aggregate of 618,839 stock options to key employees and senior executives under the 2020 plan. The stock options are valid for a period of 5 years from the grant date and vest 25% per year in equal annual installments at the end of each anniversary over a four-year period, with the first 25% vesting on November 6, 2021 and the second, third and fourth 25% vest on November 6, 2022, 2023 and 2024, respectively.

The options granted to employees are accounted for as equity awards and measured at their grant date fair value using binomial lattice model. The Company recognizes the compensation expenses over the service requisite periods using the accelerated method. Share-based compensation cost of \$529,479, \$448,736 and \$ 271,560 were recognized for the year ended June 30, 2021, 2020 and 2019, respectively. The weighted-average grant-date fair value per share of options granted was \$1.06 for senior executives and \$1.03 for key employees during the years ended June 30, 2021, \$1.03 for senior executives and \$1.01 for key employees during the years ended June 30, 2020, and \$3.13 for senior executives and \$2.87 for key employees during the years ended June 30, 2019, respectively.

The assumptions used to value the Company’s stock options grants were as follows:

	<b>For the years ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Expected volatility	41%	43%
Risk-free interest rate	0.36%	1.63%
Exercise multiples	2.2~2.8	2.2~2.8
Expected dividend yield	0%	0%
Forfeited rates	12~19%	9~10%
Fair market value per common share	\$ 2.89	\$ 5.25

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 17 – SHARE-BASED PAYMENT - continued**

Expected volatilities are based on historical volatilities of the similar public companies’ common shares over the respective expected term of the share-based awards. Risk-free interest rate is based on US Treasury zero-coupon issues with maturity terms similar to the expected term on the share-based awards. The exercise multiples are the share price multiples upon which the employees are likely to exercise share options. Fair market value per common share are the market value of the Company’s stocks on the grant date.

The following table sets forth the summary of stock options activities:

	<u>Number of stock options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Grant-date Fair Value</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of July 1, 2020	988,932	\$ 3.38	\$ 1.56	5.4 years	-
Granted	618,839	\$ 2.68	\$ 1.04	-	-
Exercised*	(61,328)	3.95	2.04	-	-
Forfeited or expired	(115,953)	\$ 2.93	\$ 1.19	-	-
Outstanding as of June 30, 2021	1,430,490	\$ 3.09	\$ 1.35	4.4 years	1,949,145
Outstanding and exercisable as of June 30, 2021	255,165	\$ 3.83	\$ 1.91	-	228,723
Vested and expected to vest as of June 30, 2021	1,231,149	\$ 3.19	\$ 0.29	4.4 years	1,595,418

\* During year ended June 30, 2021, 61,328 share options were exercised and 49,704 common shares were issued.

The aggregate intrinsic value in the table above represents the difference between the closing stock price on the last trading day in fiscal 2021 and the options’ respective exercise price. Total intrinsic value of options exercised for the year ended June 30, 2021 was \$57,613. No options were exercised in fiscal year 2020 and 2019. The total fair value of options vested during the years ended June 30, 2021, 2020 and 2019 was \$354,701, \$274,063 and nil, respectively.

As of June 30, 2021, there was \$512,572 of unrecognized compensation cost, adjusted for estimated forfeitures based on historical data, related to non-vested stock options granted to the Company’s employees and directors. Total unrecognized compensation cost is expected to be recognized over a period of 1.77 years as of June 30, 2021. Total unrecognized compensation cost may be adjusted for future changes in estimated forfeitures.

***Restricted Share Units***

During the year ended June 30, 2019, the Company granted an aggregate of 683,469 RSUs to key employees and directors under the 2017 Plan. 671,469 RSUs granted to key employees and directors generally vest within two years which vest in three installments, with the first 33% vesting on the grant date, second 33% and remaining 34% vest at the end of the first and second anniversary, respectively. 12,000 RSUs granted to a key employee fully vest in one year after the grant date. RSUs

**CLPS INCORPORATION**  
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**NOTE 17 – SHARE-BASED PAYMENT - continued**

During the year ended June 30, 2020, the Company granted 613,300 RSUs to key employees and directors and 1,119,750 RSUs to key employees under the 2017 Plan and the 2020 Plan, respectively. 18,700 RSUs granted to the employees under the 2017 Plan fully vest in one year after the grant date, and 594,600 RSUs granted to the employees and directors under the 2017 Plan fully vest on the grant date. 1,073,700 RSUs granted to key employees under the 2020 Plan fully vest on the grant date, and 46,050 RSUs to key employees under the 2020 Plan fully vest on specified date within two years.

During the year ended June 30, 2021, the Company granted 1,362,370 RSUs to key employees under the 2020 Plan. The RSUs granted to the employees fully vest on specified date within two years.

The weighted-average fair value per share is determined as the closing stock price at the grant date.

The Company recognizes the compensation expenses over the service requisite periods using the accelerated method. Share-based compensation cost of \$4,599,217, \$3,555,344 and \$6,744,551 was recognized for the year ended June 30, 2021, 2020 and 2019, respectively.

The following table sets forth the summary of RSUs activities:

	<u>Number of Shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Outstanding as of July 1, 2020	208,968	\$
Granted	1,362,370	\$ 3.34
Vested	(1,518,688)	\$ 4.18
Forfeited or expired		\$
Outstanding as of June 30, 2021	52,650	\$ 3.31

As of June 30, 2021, there was \$ 107,682 of unrecognized compensation cost, adjusted for estimated forfeitures based on historical data, related to non-vested, service-based RSUs granted to the Company’s employees and directors. The RSUs are expected to be recognized over a weighted-average period of 0.6 years. The total fair value of the restricted share units vested was \$5,338,069, \$4,702,325 and \$2,735,093 during the year ended June 30, 2021, 2020 and 2019, respectively. The weighted-average grant-date fair value per share of RSUs granted was \$3.34, \$2.32 and \$12.11 during the year ended June 30, 2021, 2020 and 2019, respectively.

During the year ended June 30, 2019, the Company recognized total share-based compensation expenses of \$7,016,089, including \$9,472, \$46,100 and \$6,960,517 in cost of revenues, selling and marketing expenses, and general and administrative expenses, respectively.

During the year ended June 30, 2020, the Company recognized total share-based compensation expenses of \$4,004,080, including \$12,448, \$201,168 and \$3,790,464 in cost of revenues, selling and marketing expenses, and general and administrative expenses, respectively.

During the year ended June 30, 2021, the Company recognized total share-based compensation expenses of \$5,128,696, including \$8,403, \$122,087 and \$4,998,206 in cost of revenues, selling and marketing expenses, and general and administrative expenses, respectively.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 18 – SHAREHOLDERS’ EQUITY**

**Common shares**

CLPS was established under the laws of Cayman Islands on May 11, 2017. The original authorized number of common shares was 1 share with a par value of \$1.

On February 23, 2021, the Company entered into an agreement with Maxim Group LLC (“Maxim”) that Maxim will serve as a Placement Agent for the Company in connection with the proposed offering of registered securities of the Company, including shares of the Company’s common stock. On February 28, 2021, the Company entered into a securities purchase agreement (“SPA”) with certain accredited investors. According to the SPA, the Company agreed to sell 2,666,666 shares of the Company’s common stock and issue unregistered warrants to purchase up to an additional 2,666,666 shares of common stock in the concurrent private placement transaction (the transaction). On March 3, 2021, the Company issued 2,666,666 common shares at US\$6.00 per share to those investors, with a par value of \$0.0001 per share, and issued 2,666,666 warrants, generating total gross proceeds of \$15,999,996. Net proceeds from the transaction after issuance cost of \$1,317,119 were \$14,682,877 which was allocated to common shares and warrants issued on their relative fair value basis of \$11,131,829 and \$3,551,048, respectively.

No dividend was declared during the years ended June 30, 2021, 2020 and 2019.

**Statutory reserve and restricted net assets**

The Company’s subsidiaries located in mainland China are required to make appropriations to certain reserve funds, comprising the statutory surplus reserve and the discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC (“PRC GAAP”). Appropriations to the statutory surplus reserve are required to be at least 10% of the after-tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entity’s registered capital. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors. The Company allocated \$1,410,264, \$970,009 and \$715,335 to statutory reserves during the years ended June 30, 2021, 2020 and 2019, respectively in accordance with PRC GAAP.

PRC laws and regulations permit payments of dividends by the Company’s subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Company’s subsidiaries incorporated in the PRC are required to annually appropriate 10% of their net income to the statutory reserve prior to payment of any dividends, unless the reserve has reached 50% of their respective registered capital. Furthermore, registered share capital and capital reserve accounts are also restricted from distribution. As a result of the restrictions described above and elsewhere under PRC laws and regulations, the Company’s subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company in the form of dividends payments, loans or advances. Amounts of net assets restricted amounted to \$11,482,521 and \$9,897,493 as of June 30, 2021 and 2020, respectively. Except for the above or disclosed elsewhere, there is no other restriction on the use of proceeds generated by the Company’s subsidiaries to satisfy any obligations of the Company.

**Accumulated other comprehensive income (loss)**

The components of accumulated other comprehensive income (loss) were as follows:

	<b>Foreign currency translation income (loss)</b>
<b>Balance at June 30, 2019</b>	\$ (813,650)
Other comprehensive loss before reclassification	\$ (571,943)
Amounts reclassified from accumulated other comprehensive income	\$ -
Net current-period other comprehensive income	\$ (571,943)
Other comprehensive loss attribute to noncontrolling interests	\$ 22,928
<b>Balance at June 30, 2020</b>	\$ (1,362,665)
Other comprehensive income before reclassification	\$ 2,697,395
Amounts reclassified from accumulated other comprehensive income	\$ (2,172)
Net current-period other comprehensive income	\$ 2,695,223
Other comprehensive loss attribute to noncontrolling interests	\$ (102,475)
<b>Balance at June 30, 2021</b>	\$ 1,230,083

There was nil tax expense or benefit recognized related to the changes of each component of accumulated other comprehensive income for the years ended June 30, 2019, 2020 and 2021.

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 19 – NONCONTROLLING INTERESTS**

Prior to June 2018, the Company held a 70% equity interest of CLPS Beijing which primarily engages in software development. On June 27, 2018, Qiner purchased the remaining 30% equity interest of CLPS Beijing at a cash consideration of \$585,889 from the noncontrolling shareholders and became the sole shareholder of CLPS Beijing. The carrying amount of the noncontrolling interests was \$91,533. The transaction was accounted for as an equity transaction and the difference of \$494,356 between the purchase consideration and the carrying value of the noncontrolling interest of CLPS Beijing was recorded in the additional paid-in capital on the consolidated balance sheets.

Prior to December 2019, CLPS Shanghai held a 70% equity interest of CLPS Shenzhen and an 80% equity interest of CLPS Hong Kong, which held the remaining 30% equity interest of CLPS Shenzhen. On December 9, 2019, Qiner acquired the remaining 20% equity interest of CLPS Hong Kong from the noncontrolling shareholder with the consideration of the Company’s 100,000 common shares valued at \$278,000, therefore holding 100% of CLPS Hong Kong and CLPS Shenzhen’s equity interest accordingly. On December 3, 2019, the Company issued 100,000 common shares with \$0.0001 par value per share to noncontrolling shareholder. The carrying amount of the noncontrolling interests was \$(130,992). The transaction was accounted for as an equity transaction and the difference of \$131,002 between the purchase consideration and the carrying value of the noncontrolling interest of CLPS Hong Kong and CLPS Shenzhen was recorded in the additional paid-in capital on the consolidated balance sheets.

Prior to December 22, 2020, Qiner held an 80% equity interest in Ridik. On December 22, 2020, CLPS Technology (Singapore) Pte. Ltd., a fully owned subsidiary of Qiner, entered into a share purchase agreement with the noncontrolling shareholders of Ridik to purchase the remaining 20% equity interest in Ridik. The total purchase consideration is \$621,619, including a cash consideration of \$436,550 and the Company’s 62,622 common shares valued at \$185,069 on January 29, 2021, using the closing market price of US\$3.41 per share and discounts for lack of marketability. The carrying amount of the noncontrolling interests of Ridik as of January 29, 2021 was \$446,636. The transaction was accounted for as an equity transaction and the difference of \$10,080 between the purchase consideration and the carrying value of the noncontrolling interest of Ridik was recorded in the additional paid-in capital on the consolidated balance sheets.

Prior to January, 2021, JAJI China, a 60% owned subsidiary of CLPS, entered into an agreement with CareerWin to purchase CareerWin’s 30% equity interest in JAJI HR. JAJI China owned 70% of JAJI HR before January 2021, so after the transaction, JAJI China owned 100% of JAJI HR. The purchase consideration was \$18,995. The carrying amount of the noncontrolling interests was \$12,189. The transaction was accounted for as an equity transaction and the difference of \$6,806 between the purchase consideration and the carrying value of the noncontrolling interest of JAJI HR was recorded in the additional paid-in capital on the consolidated balance sheets.

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**NOTE 20 – SEGMENT INFORMATION AND REVENUE ANALYSIS**

The Company follows ASC Topic 280, *Segment Reporting*, which requires that companies to disclose segment data based on how management makes decision about allocating resources to each segment and evaluating their performances. The Company has one reporting segment. The Company’s chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company. The Company’s revenue and net income are substantially derived from enterprise application services and financial industry IT services.

The Company’s operations are primarily based in China, where the Company derives a substantial portion of their revenues. The following table presents revenues generated in domestic and overseas markets for the years ended June 30, 2021, 2020 and 2019.

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Mainland China	\$ 112,511,341	\$ 78,840,635	\$ 60,398,820
Singapore	9,613,026	7,369,345	2,525,489
Hong Kong	3,728,039	3,071,857	1,961,763
Malaysia	148,128	125,748	-
United States	34,740	-	-
Japan	26,419	5,394	-
Australia	-	2,167	46,865
India	-	652	-
<b>Total</b>	<b>\$ 126,061,693</b>	<b>\$ 89,415,798</b>	<b>\$ 64,932,937</b>

The following table presents revenues by the service lines for the years ended June 30, 2021, 2020 and 2019.

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
IT consulting service	\$ 122,273,395	\$ 87,136,754	\$ 61,755,355
Customized IT solution service	3,130,646	1,844,892	3,041,482
Other	657,652	434,152	136,100
<b>Total</b>	<b>\$ 126,061,693</b>	<b>\$ 89,415,798</b>	<b>\$ 64,932,937</b>

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 21 – SUBSEQUENT EVENTS**

On June 7, 2021, the Company entered into a purchase agreement with a third party to purchase an office property in Hong Kong for self-use at a consideration of \$ 3,669,937 (HKD 28,500,000). The Company made the first payment of \$ 183,497 (HKD 1,425,000) on May 24,2021 and second payment of \$183,497 (HKD 1,425,000) on June 4,2021. Remaining balance of \$3,302,943 (HKD25,650,000) was paid on July 21, 2021.

On July 8, 2021, the Company entered into a capital increase agreement with two third-party shareholders of the target company, Beijing UniDev Software Co., Ltd (“UniDev”), to obtain 15% of equity interest in UniDev with a capital injection of \$261,593 (RMB 1,689,000). The Company made the payment of \$ 78,478 (RMB 506,700) and \$ 183,115 (RMB 1,182,300) on August 26,2021 and September 23,2021, respectively.

On July 27, 2021, the Company sold 7% equity interest in CLPS Lihong to a third party for a consideration of \$650,497 (RMB4,200,000). After the transaction, the Company no longer holds any interest in CLPS Lihong.

On July 31, 2021, the Company entered into a purchase agreement with a third party to acquire an office property in Singapore for self-use at a consideration of \$4,644,243 (SGD 6,247,900 million). The Company made the option payment of \$46,442 (SGD 62,479) on the same day.

On August 1, 2021, the Company entered into an equity transfer and capital increase agreement with a third party shareholder of the target company, Fuson Group Limited (“Fuson”), to obtain 35.02% of equity interest in Fuson with a capital injection of \$157,743 (HKD 1,225,000). The Company made the first payment of \$78,871 (HKD 612,500) on August 16, 2021.

On August 12, 2021, the Company entered into a purchase agreement with a third party to purchase an office property in Hong Kong for self-use at a consideration of \$ 11,309,019 (HKD 88,000,000). The Company made the first payment of \$ 565,182 (HKD 4,400,000) and second payment of \$ 565,182 (HKD 4,400,000) on September 24, 2021and October 5,2021, respectively.

On August 16, 2021, the Company entered into a capital increase agreement with a third party shareholder of the target company, MSCT Investment Holdings Limited (“MSCT”), to obtain 53.33% of equity interest in MCST with a capital injection \$206,032 (HKD 1,600,000). The Company made the payment of \$206,032 (HKD 1,600,000) on the same day.

**CLPS INCORPORATION**  
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**NOTE 22 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION**

*Condensed balance sheets*

	<b>As of June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 12,975,407	\$ 181,513
Amounts due from subsidiaries	7,576,560	7,121,760
Prepayments, deposits and other assets, net	382,807	161,767
<b>Total Current Assets</b>	<b>20,934,774</b>	<b>7,465,040</b>
<b>Non-Current assets:</b>		
Investments in subsidiaries	36,295,558	20,598,908
<b>Total Assets</b>	<b>\$ 57,230,332</b>	<b>\$ 28,063,948</b>
<b>LIABILITIES AND SHAREHOLDERS’ EQUITY</b>		
<b>Current liabilities:</b>		
Salaries and benefits payable	541,285	715,304
<b>Total Current Liabilities</b>	541,285	715,304
<b>Total Liabilities</b>	<b>\$ 541,285</b>	<b>\$ 715,304</b>
<b>Shareholders’ Equity</b>		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 20,293,552 shares issued and outstanding as of June 30, 2021; 15,930,330 shares issued and outstanding as of June 30, 2020*	2,029	1,593
Additional paid-in capital	48,516,695	28,586,048
Accumulated retained earnings	6,940,240	123,668
Accumulated other comprehensive income (loss)	1,230,083	(1,362,665)
<b>Total Shareholders’ Equity</b>	<b>56,689,047</b>	<b>27,348,644</b>
<b>Total Liabilities and Shareholders’ Equity</b>	<b>\$ 57,230,332</b>	<b>\$ 28,063,948</b>

**CLPS INCORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 22 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION - continued**

*Condensed statements of comprehensive income (loss)*

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenues	\$ -	\$ -	\$ 201,614
Less: Cost of revenues	-	-	(200,954)
Gross profit	-	-	660
General and administrative expenses	(6,267,334)	(5,505,559)	(8,651,816)
Share of profit in subsidiaries, net (Note a)	13,202,527	8,404,632	5,317,315
Other income	6,365	46,904	66,806
Other expenses	(124,986)	(7,739)	(2,741)
Income (loss) before income tax	6,816,572	2,938,238	(3,269,776)
Provision for income tax	-	-	-
Net income (loss)	6,816,572	2,938,238	(3,269,776)
Other comprehensive (loss) income			
Foreign currency translation gain (loss)	\$ 2,592,748	\$ (549,015)	\$ (411,973)
Comprehensive income (loss)	\$ 9,409,320	\$ 2,389,223	\$ (3,681,749)

*Condensed statements of cash flows*

	<b>For the years ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net cash used in operating activities	\$ (2,107,118)	\$ (3,586,857)	\$ (3,189,448)
Net cash provided by financing activities	14,799,107	200,000	1,472,592
Effect of exchange rate changes on cash	101,905	97,179	569
Net increase (decrease) in cash and cash equivalents	12,793,894	(3,289,678)	(1,716,287)
Cash and cash equivalents, at the beginning of the year	\$ 181,513	\$ 3,471,191	\$ 5,187,478
Cash, cash equivalents at the end of the year	\$ 12,975,407	\$ 181,513	\$ 3,471,191

(a) Basis of presentation

In the Company-only financial statements, the Company’s investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since inception.

The Company records its investment in its subsidiaries under the equity method of accounting as prescribed in ASC 323. Such investments are presented on the balance sheets as “Investments in subsidiaries” and share of the subsidiaries’ profit or loss are shown as “Share of profit in subsidiaries, net” on the statements of comprehensive income (loss).

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted and as such, these Company-only financial statements should be read in conjunction with the Company’s consolidated financial statements.

**ITEM 19. EXHIBITS**

The financial statements are filed as part of this Annual Report beginning on page F-1.

<b>Exhibit No.</b>	<b>Description</b>
1.1	<a href="#">Form of Underwriting Agreement (2).</a>
2	<a href="#">Description of Securities registered under Section 12 of the Exchange Act</a>
3.1	<a href="#">Memorandum and Articles of Association (1).</a>
4.1	<a href="#">Specimen Share Certificate (1).</a>
10.1	<a href="#">2017 Equity Incentive Plan (1).</a>
10.2	<a href="#">2019 Equity Incentive Plan (3).</a>
10.3	<a href="#">2020 Equity Incentive Plan(4).</a>
10.4	<a href="#">Form Independent Director Agreement (1).</a>
10.5	<a href="#">Employment Agreement between the Company and Xiao Feng Yang (1).</a>
10.6	<a href="#">Employment Agreement between the Company and Raymond Ming Hui Lin (1).</a>
10.7	<a href="#">Employment Agreement between the Company and Rui Yang (5).</a>
10.8	<a href="#">Employment Agreement between the Company and Li Li.</a>
10.9	<a href="#">ANZ Global Services and Operations (Chengdu) Company Limited Agreement (1).</a>
10.10	<a href="#">Master Lease Agreement - Shanghai Pudong Software Park Co., Ltd.</a>
10.11	<a href="#">Master Lease Agreement - Shanghai Pudong Software Park Co., Ltd.</a>
10.12	<a href="#">Form of Framework Contract for Subcontracting (1).</a>
10.13	<a href="#">Form Warrant Agreement (2).</a>
10.14	<a href="#">Form Lockup Agreement (2).</a>
10.15	<a href="#">Escrow Indemnification Agreement (2).</a>
10.16	<a href="#">Credit Agreement with Bank of Shanghai Pudong Development Co. Ltd-10 million</a>
10.17	<a href="#">Credit Agreement with Bank of Shanghai Pudong Development Co. Ltd-10 million</a>
10.18	<a href="#">Credit Agreement with Bank of Communications Co., Ltd.- 8 million.</a>
10.19	<a href="#">Credit Agreement with Bank of Communications Co., Ltd.- 12 million</a>
12.1	<a href="#">Certification of the Chief Executive Officer (Principal Executive Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.</a>
12.2	<a href="#">Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.</a>
13.1	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
14.1	<a href="#">Code of Conduct and Ethics (1).</a>
21.1	<a href="#">List of Subsidiaries of the Registrant.</a>
23.1	<a href="#">Consent of Ernst &amp; Young Hua Ming LLP.</a>
99.1	<a href="#">Charter of the Audit Committee (1).</a>
99.2	<a href="#">Charter of the Compensation Committee (1).</a>
99.3	<a href="#">Charter of the Nominating Committee (1).</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

(1) Previously filed as part of the registration statement filed with the SEC on March 27, 2018 and incorporated by reference herein.

(2) Previously filed with the SEC as an exhibit to Report on Form 6-K and incorporated by reference herein.

(3) Previously filed as part of the registration statement filed with the SEC on April 29, 2019 and incorporated by reference herein.

(4) Previously filed as part of the registration statement filed with the SEC on April 27, 2020 and incorporated by reference herein.

(5) Previously filed as part of the registration statement filed with the SEC on November 4, 2019 and incorporated by reference herein.

**SIGNATURES**

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**CLPS Incorporation**

October 15, 2021

By: /s/ Raymond Ming Hui Lin  
Name: Raymond Ming Hui Lin  
Title: Chief Executive Officer  
(Principal Executive Officer)

October 15, 2021

By: /s/ Rui Yang  
Name: Rui Yang  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

## DESCRIPTION OF COMMON SHARES

We are a Cayman Islands company and our affairs are governed by our Memorandum and Articles of Association and Companies Law of the Cayman Islands, which we refer to as the Companies Law below. As of the date hereof, our authorized share capital consists of 100,000,000 common shares with a par value of US\$0.0001 per share. The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our shares.

### Common Shares

**General.** All of our outstanding common shares are fully paid and non-assessable. Certificates representing the common shares are issued in registered form. Our shareholders, whether or not they are non-residents of the Cayman Islands, may freely hold and transfer their common shares in accordance with the Memorandum and Articles of Association.

**Dividends.** The holders of our common shares are entitled to such dividends as may be declared by our board of directors. Our articles of association provide that our board of directors may declare and pay dividends if justified by our financial position and permitted by law.

**Voting Rights.** In respect of all matters subject to a shareholders' vote, each common share is entitled to one vote. Voting at any meeting of shareholders is by show of hands unless voting by way of a poll is required by the rules of any stock exchange on which our shares are listed for trading, or a poll is demanded by the chairman of such meeting or one or more shareholders holding not less than 10% of the total voting rights of all shareholders having the right to vote at the meeting. A quorum required for a meeting of shareholders consists of one shareholder who holds at least one-third of our issued voting shares. Shareholders' meetings may be held annually. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Extraordinary general meetings may be called by a majority of our board of directors or upon a requisition of shareholders holding at the date of deposit of the requisition not less than 40% of the aggregate share capital of our company that carries the right to vote at a general meeting, in which case an advance notice of at least 120 clear days is required for the convening of our annual general meeting and other general meetings by requisition of the shareholders. An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the common shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the common shares cast at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

**Transfer of Common Shares.** Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her common shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors. Our board of directors may, in its absolute discretion, decline to register any transfer of any common share irrespective of whether the shares is fully paid or the Company has no lien over it. If our board of directors refuses to register a transfer, it shall, within two months after the date on which the transfer was lodged, send to each of the transferor and the transferee notice of such refusal. Upon completion of this offering, we intend to waive our right to refuse transfers of any common shares. The registration of transfers may, after compliance with any notice required of the stock exchange on which our shares are listed, be suspended at such times and for such periods as our board of directors may determine, provided, however, that the registration of transfers shall not be suspended for more than 30 days in any year as our board of directors may determine.

**Calls on Common Shares and Forfeiture of Common Shares.** Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their common shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The common shares that have been called upon and remain unpaid are subject to forfeiture.

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**Redemption of Common Shares.** The Companies Law and our memorandum of association permit us to purchase our own shares. In accordance with our articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, provided the requirements under the Companies Law have been satisfied, including out of capital, as may be determined by our board of directors.

**Inspection of Books and Records.** Holders of our common shares have no general right under our articles of association to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

**Issuance of Additional Shares.** Our memorandum of association authorizes our board of directors to issue additional common shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares. Our memorandum of association also authorizes our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series to be issued;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of common shares.

**Anti-Takeover Provisions.** Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

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**EMPLOYMENT AGREEMENT**

This EMPLOYMENT AGREEMENT (the “Agreement”) is entered into as of June 11, 2019 with the effective date of June 11, 2019 (the “**Effective Date**”), by and between CLPS INCORPORATION, a Cayman Islands corporation (the “**Company**”) having its principal place of business at c/o 2nd Floor, Building 18, Shanghai Pudong Software Park, 498 Guoshoujin Road, Pudong, Shanghai 201203, People’s Republic of China, and Li Li (“**Executive**”, and the Company and the Executive collectively referred to herein as the “**Parties**”).

**WITNESSETH:**

**WHEREAS**, the Company desires to hire Executive and to employ him as the Company’s Chief Operation Officer (“COO”) effective as of the Effective Date, and the Parties desire to enter into this Agreement embodying the terms of such employment;

**NOW, THISEFORE**, in consideration of the premises and the mutual covenants and promises of the Parties contained herein, the Parties, intending to be legally bound, hereby agree as follows:

**1. Title and Job Duties.**

(a) Subject to the terms and conditions set forth in this Agreement, the Company agrees to employ Executive as Chief Operation Officer. Executive shall report directly to the Chief Executive Officer of the Company (the “**CEO**”).

(b) Executive accepts such employment and agrees, during the term of his employment, to devote his full business and professional time and energy to the Company, and agrees faithfully to perform his duties and responsibilities in an efficient, trustworthy and business-like manner. Executive also agrees that the CEO shall determine from time to time such of his duties as may be assigned to him. Executive agrees to carry out and abide by such directions of the CEO. Visible leadership is expected from Executive, which will require frequent travelling.

(c) Without limiting the generality of the foregoing, Executive shall not, without the written approval of the Company, render services of a business or commercial nature on his own behalf or on behalf of any person, firm, or corporation, whether for compensation or otherwise, during his employment hereunder. The foregoing limitation shall not apply to Executive’s involvement in associations, charities and service on another entity’s board of directors, provided such involvement does not interfere with Executives responsibilities (and as it pertains to any service on another entity’s board of directors, provided such action is pre-approved by the Company).

**2. Salary and Additional Compensation.**

(a) **Base Salary.** The Company shall pay to Executive an annual base salary (“**Base Salary**”) of a total of RMB 360,000, HK\$273,600, in accordance with the Company’s normal payroll procedures and an eligibility to receive 12,000 restricted shares in November 2020. The Compensation Committee shall review the Executive’s Base Salary no less than annually and may increase (but not decrease) such Base Salary during the term of this Agreement.

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(b) Annual Bonus. Commencing with the year ending June 30, 2020, Executive will be entitled to receive an annual cash bonus (the "Annual Bonus"), payable with respect to each year of the Term subsequent to the issuance of the Company's final audited financial statements for such year. The final determination on the amount, if any, of the Annual Bonus will be made by, and in the sole discretion of the Compensation Committee of the Board of Directors of the Company (the "Board") (or the Board, if such committee has been dissolved), based on criteria established by the Compensation Committee of the Board (or the Board, if such committee has been dissolved). For the fiscal year in which Executive commences employment with the Company, Executive will be entitled to receive an Annual Bonus which is prorated based on the number of days from the Effective Date until the end of the fiscal year divided by 365.

3. Expenses. In accordance with Company policy, the Company shall reimburse Executive for all reasonable association fees, professional related expenses (certifications, licenses and continuing professional education) and business expenses properly and necessarily incurred and paid by Executive in the performance of his duties under this Agreement, including without limitation all travel expenses to and from his designated office as set forth in the opening paragraph of this Agreement, upon his presentment of detailed receipts in the form required by the Company's policy. Notwithstanding the foregoing, all expenses must be promptly submitted for reimbursement by the Executive. In no event shall any reimbursement be paid by the Company after the end of the year following the year in which the expense is incurred by the Executive.

#### 4. Benefits.

(a) Vacation .. Executive shall be entitled to eighteen (18) days of vacation per year , which shall accrue at a pro rata rate per pay period. Vacation must be taken in the year in which it accrues and the dates of any vacation must be approved by the CEO.

(b) Health Insurance and Other Plans. Executive shall be eligible to participate in the Company's medical, dental and other employee benefit programs, if any, that are provided by the Company for its employees at Executive's level in accordance with the provisions of any such plans, as the same may be in effect from time to time.

5. Term. The term of employment under this Agreement (the "Term") shall be for a five-year period commencing on the Effective Date and shall be automatically extended for an additional consecutive twelve (12)-month period on the fifth (5th) anniversary of the Effective Date and each subsequent anniversary thereof, unless and until the Company or Executive provides written notice to the other party not less than ninety (90) days before such anniversary date that such party is electing not to extend the Term, in which case the Term shall end at the expiration of the Term as last extended, unless sooner terminated as set forth below. Following any such notice by the Company of its election not to extend the Term, Executive may terminate his employment at any time prior to the expiration of the Term by giving written notice to the Company at least thirty (30) days prior to the effective date of termination, and upon the earlier of such effective date of termination or the expiration of the Term, Executive shall be entitled to receive the same severance benefits as are provided upon a termination of employment by the Company without Cause as described in Section 7(a) and Section 7(d).

6. Termination.

(a) Termination at the Company's Election.

(i) For Cause. At the election of the Company, Executive's employment may be terminated at any time for Cause (as defined below) upon written notice to Executive given pursuant to Section 12 of this Agreement. For purposes of this Agreement, "Cause" for termination shall mean that Executive: (A) pleads "guilty" or "no contest" to, or is convicted of an act which is defined as a felony under federal or state law, or is indicted or formally charged with acts involving criminal fraud or embezzlement; (B) in carrying out his duties, engages in conduct that constitutes gross negligence or willful misconduct; (C) engages in substantiated fraud, misappropriation or embezzlement against the Company; (D) engages in any inappropriate or improper conduct that causes material harm to the reputation of the Company; or (E) materially breaches any term of this Agreement. With respect to subsection (E) of this section, to the extent such material breach may be cured, the Company shall provide Executive with written notice of the material breach and Executive shall have ten (10) days to cure such breach.

(ii) Upon Disability, Death or Without Cause. At the election of the Company, Executive's employment may be terminated: (A) should Executive have a physical or mental impairment that substantially limits a major life activity and Executive is unable to perform the essential functions of his job with or without reasonable accommodation ("Disability"); (B) upon Executive's death; or (C) with ninety (90) days prior written notice, at any time Without Cause for any or no reason.

(b) Termination at Executive's Election; Good Reason Termination. Notwithstanding anything contained elsewhere in this Agreement to the contrary, Executive may terminate his employment hereunder at any time and for any reason, upon thirty (30) days' prior written notice given pursuant to Section 12 of this Agreement ("Voluntary Resignation"), provided that upon notice of resignation, the Company may terminate Executive's employment immediately and pay Executive thirty (30) days' Base Salary in lieu of notice. Furthermore, the Executive may terminate this Agreement for "Good Reason," which shall be deemed to exist: (i) if the Company's Board of Directors or that of any successor entity of Company, fails to appoint or reappoint the Executive or removes the Executive as the CFO of the Company; (ii) if Executive is assigned any duties materially inconsistent with the duties or responsibilities of the CFO of the Company as contemplated by this Agreement or any other action by the Company that results in a material diminution in such position, authority, duties, or responsibilities, excluding an isolated, insubstantial, and inadvertent action not taken in bad faith; or (iii) a material breach by the Company of this Agreement. Good Reason shall not exist hereunder unless the Executive provides notice in writing to the Company of the existence of a condition described above within a period not to exceed ninety (90) days of the initial existence of the condition, and with respect to subsection (iii) of this section, to the extent such material breach may be cured, the Company does not remedy the condition within thirty (30) days of receipt of such notice.

(c) Termination in General. If Executive's employment with the Company terminates for any reason, the Company will pay or provide to Executive: (i) any unpaid Salary through the date of employment termination, (ii) any unpaid Annual Bonus for the fiscal year prior to the fiscal year in which the termination occurs (payable at the time the bonuses are paid to employees generally), (iii) any accrued but unused vacation or paid time off in accordance with the Company's policy, (iv) reimbursement for any unreimbursed business expenses incurred through the termination date, to the extent reimbursable in accordance with Section 3, and (v) all other payments or benefits (if any) to which Executive is entitled under the terms of any benefit plan or arrangement.

## 7. Severance.

(a) Subject to Section 7(b) below, if Executive's employment is terminated prior to the end of the Term by the Company without Cause or by Executive for Good Reason, Executive shall be entitled to receive a severance payment equal to a pro rata portion of the target Annual Bonus for the year in which such termination occurs. Such severance payment shall be made in a single lump sum sixty (60) days following such termination, provided the Executive has executed and delivered to the Company, and has not revoked a general release of the Company, its parents, subsidiaries and affiliates and each of its officers, directors, employees, agents, successors and assigns, and such other persons and/or entities as the Company may determine, in a form reasonably acceptable to the Company. Such general release shall be delivered on or about the date of termination and must be executed within fifty-five (55) days of termination.

(b) If Executive's employment is terminated prior to the end of the Term by the Company without Cause or by Executive for Good Reason, and such termination occurs within three months prior to a Change in Control in contemplation of the Change in Control or within six (6) months after the Change in Control, Executive shall be entitled to receive, in addition to any severance pursuant to Section 7(a) above, an acceleration of the vesting of the RS Grant or, if the termination occurs after the Change of Control, the Substitute Grant, as applicable. For purposes of this Agreement, "Change in Control" means the occurrence of any of the following events: (i) an acquisition (other than directly from the Company) of any voting securities of the Company by any person or group of affiliated or related persons (as such term is defined in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")), immediately after which such person or group has beneficial ownership (within the meaning of the Exchange Act) of more than fifty percent (50%) of the combined voting power of the Company's then outstanding voting securities; provided that this subsection shall not apply to an acquisition of voting securities by any employee benefit plan or trust maintained by or for the benefit of the Company or its employees; (ii) a merger, consolidation or reorganization involving the Company whereby the holders of Company common stock immediately preceding such transaction no longer hold a majority of the shares of Company common stock after such transaction; or (iii) the sale or other disposition of all or substantially all of the Company's assets.

(c) If Executive's employment is terminated prior to the end of the Term by the Company without Cause or by Executive for Good Reason, and if Executive is eligible for and elects to continue to participate in the Company's medical and dental benefit programs, the Company will continue to pay the same portion of Executive's medical and dental insurance premiums as during active employment (for Executive and eligible spouse and dependents) until the earlier of: (1) nine months from Executive's cessation from employment; or (2) the date Executive is eligible for medical and/or dental insurance benefits from another employer.

## 8. Confidentiality Agreement.

(a) Executive understands that during the Term he may have access to unpublished and otherwise confidential information both of a technical and non-technical nature, relating to the business of the Company and any of its parents, subsidiaries, divisions, affiliates (collectively, "Affiliated Entities"), or clients, including without limitation any of their actual or anticipated business, research or development, any of their technology or the implementation or exploitation thereof, including without limitation information Executive and other have collected, obtained or created, information pertaining to patent formulations, vendors, prices, costs, materials, processes, codes, material results, technology, system designs, system specifications, materials of construction, trade secrets and equipment designs, including information disclosed to the Company by other under agreements to hold such information confidential (collectively, the "Confidential Information"). Executive agrees to observe all Company policies and procedures concerning such Confidential Information. Executive further agrees not to disclose or use, either during his employment or at any time thereafter, any Confidential Information for any purpose, including without limitation any competitive purpose, unless authorized to do so by the Company in writing, except that he may disclose and use such information when necessary in the performance of his duties for the Company. Executive's obligations under this Agreement will continue with respect to Confidential Information, whether or not his employment is terminated, until such information becomes generally available from public sources through no action of Executive. Notwithstanding the foregoing, however, Executive shall be permitted to disclose Confidential Information as may be required by a subpoena or other governmental order, provided that he first notifies promptly the Company of such subpoena, order or other requirement and allows the Company the opportunity to obtain a protective order or other appropriate remedy.

(b) During Executive's employment, upon the Company's request, or upon the termination of his employment for any reason, Executive will promptly deliver to the Company all documents, records, files, notebooks, manuals, letters, notes, reports, customer and supplier lists, cost and profit data, e-mail, apparatus, computers, cell phones, tablets, hardware, software, drawings, and any other material of the Company or any of its Affiliated Entities or clients, including all materials pertaining to Confidential Information developed by Executive or other, and all copies of such materials, whether of a technical, business or fiscal nature, whether on the hard drive of a laptop or desktop computer, in hard copy, disk or any other format, which are in Executive's possession, custody or control.

(c) Executive will promptly disclose to the Company any idea, invention, discovery or improvement, whether patentable or not ("Creations"), conceived or made by him alone or with other at any time during his employment. Executive agrees that the Company owns all such Creations, conceived or made by Executive alone or with other at any time during his employment, and Executive hereby assigns and agrees to assign to the Company all rights he has or may acquire therein and agrees to execute any and all applications, assignments and other instruments relating thereto which the Company deems necessary or desirable. These obligations shall continue beyond the termination of his employment with respect to Creations and derivatives of such Creations conceived or made during his employment with the Company. Executive understands that the obligation to assign Creations to the Company shall not apply to any Creation which is developed entirely on his own time without using any of the Company's equipment, supplies, facilities, and/or Confidential Information unless such Creation (a) relates in any way to the business or to the current or anticipated research or development of the Company or any of its Affiliated Entities; or (b) results in any way from his work at the Company.

(d) Executive will not assert any rights to any invention, discovery, idea or improvement relating to the business of the Company or any of its Affiliated Entities or to his duties hereunder as having been made or acquired by Executive prior to his work for the Company.

(e) During the Term, the Company is hereby granted and shall have a non-exclusive, royalty-free, irrevocable, perpetual, worldwide license (with the right to grant and authorize sublicenses) to make, have made, modify, use, sell, offer to sell, import, reproduce, distribute, publish, prepare derivative works of, display, perform publicly and by means of digital audio transmission and otherwise exploit as part of or in connection with any product, process or machine created or incorporated by the Executive.

(f) Executive agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents, trademarks and other intellectual property rights (both in the United States and foreign countries) relating to such Creations. Executive shall sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights and powers of attorney, which the Company may deem necessary or desirable in order to protect its rights and interests in any Creations. Executive further agrees that if the Company is unable, after reasonable effort, to secure Executive's signature on any such papers, any officer of the Company shall be entitled to execute such papers as his agent and attorney-in-fact and Executive hereby irrevocably designates and appoints each officer of the Company as his agent and attorney-in-fact to execute any such papers on his behalf and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Creations, under the conditions described in this paragraph.

9. Non-solicitation; non-competition. (a) Executive agrees that, during the Term of his employment, Executive will not, directly or indirectly, including on behalf of any person, firm or other entity, employ or actively solicit for employment any employee of the Company or any of its Affiliated Entities, or anyone who was an employee of the Company or any of its Affiliated Entities within the termination of Executive's employment, or induce any such employee to terminate him or his employment with the Company or any of its Affiliated Entities.

(b) Executive further agrees that, during the Term, Executive will not, directly or indirectly, including on behalf of any person, firm or other entity, without the express written consent of an authorized representative of the Company, (i) perform services within the Territory (as defined below) for any Competing Business (as defined below), whether as an employee, consultant, agent, contractor or in any other capacity, (ii) hold office as an officer or director or like position in any Competing Business, or (iii) request any present or future customers or suppliers of the Company or any of its Affiliated Entities to curtail or cancel their business with the Company or any of its Affiliated Entities. These obligations will continue for the specified period regardless of whether the termination of Executive's employment was voluntary or involuntary or with or without Cause or for any other reason.

(c) "Competing Business" means any corporation, partnership or other entity or person (other than the Company) which is engaged (a) in the development, manufacture, marketing, distribution or sale of, or research directed to the development, manufacture, marketing, distribution or sale of competing anti-cancer drug candidates or products or (b) in any other business activity carried on or planned to be carried on by the Company or any of its Affiliates during the Term.

(d) "Territory" shall mean within any state or foreign jurisdiction in which the Company or any subsidiary of the Company is then providing services or products or marketing its services or products (or engaged in active discussions to provide such services).

(e) Executive agrees that in the event a court determines the length of time or the geographic area or activities prohibited under this Section 9 are too restrictive to be enforceable, the court shall reduce the scope of the restriction to the extent necessary to make the restriction enforceable. In furtherance and not in limitation of the foregoing, the Company and the Executive each intend that the covenants contained in this Section 9 shall be deemed to be a series of separate covenants, one for each and every state, territory or jurisdiction of the United States, the People's Republic of China, and any foreign country set forth therein. If, in any judicial proceeding, a court shall refuse to enforce any of such separate covenants, then such unenforceable covenants shall be deemed eliminated from the provisions hereof for the purpose of such proceedings to the extent necessary to permit the remaining separate covenants to be enforced in such proceedings.

10. Representation and Warranty. The Executive hereby acknowledges and represents that he has had the opportunity to consult with legal counsel regarding his rights and obligations under this Agreement and that he fully understands the terms and conditions contained herein. Executive represents and warrants that Executive has provided the Company a true and correct copy of any agreements that purport: (a) to limit Executive's right to be employed by the Company; (b) to prohibit Executive from engaging in any activities on behalf of the Company; or (c) to restrict Executive's right to use or disclose any information while employed by the Company. Executive further represents and warrants that Executive will not use on the Company's behalf any information, materials, data or documents belonging to a third party that are not generally available to the public, unless Executive has obtained written authorization to do so from the third party and provided such authorization to the Company. In the course of Executive's employment with the Company, Executive is not to breach any obligation of confidentiality that Executive has with third parties, and Executive agrees to fulfill all such obligations during Executive's employment with the Company. Executive further agrees not to disclose to the Company or use while working for the Company any trade secrets belonging to a third party.

11. Injunctive Relief. Without limiting the remedies available to the Company, Executive acknowledges that a breach of any of the covenants contained in Sections 7(c) and 9 above may result in material irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure precisely damages for such injuries and that, in the event of such a breach or threat thereof, the Company shall be entitled, without the requirement to post bond or other security, to obtain a temporary restraining order and/or injunction restraining Executive from engaging in activities prohibited by this Agreement or such other relief as may be required to specifically enforce any of the covenants in Sections 7(c) and 9 of this Agreement.

12. Notice. Any notice or other communication required or permitted to be given to the Parties shall be deemed to have been given if either personally delivered, or if sent for next- day delivery by nationally recognized overnight courier, and addressed as follows:

(a) If to Executive, to:

2nd Floor, Building 18, Shanghai Pudong Software Park,  
498 Guoshoujin Road, Pudong, Shanghai 201203  
People's Republic of China

(b) If to the Company, to:

2nd Floor, Building 18, Shanghai Pudong Software Park,  
498 Guoshoujin Road, Pudong, Shanghai 201203  
People's Republic of China

13. Severability. If any provision of this Agreement is declared void or unenforceable by a court of competent jurisdiction, all other provisions shall nonetheless remain in full force and effect.

14. Withholding. The Company may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law.

15. Indemnification. The Company agrees that Executive will be covered by any "directors and officers" insurance policies then in effect with respect to Executive's acts as an officer.

16. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of Hong Kong, without regard to the conflict of laws provisions thereof.

17. Waiver. The waiver by either Party of a breach of any provision of this Agreement shall not be or be construed as a waiver of any subsequent breach. The failure of a Party to insist upon strict adherence to any provision of this Agreement on one or more occasions shall not be considered a waiver or deprive that Party of the right thereafter to insist upon strict adherence to that provision or any other provision of this Agreement. Any such waiver must be in writing, signed by the Party against whom such waiver is to be enforced.

18. Assignment. This Agreement is a personal contract and Executive may not sell, transfer, assign, pledge or hypothecate his rights, interests and obligations hereunder. Except as otherwise herein expressly provided, this Agreement shall be binding upon and shall inure to the benefit of Executive and his personal representatives and shall inure to the benefit of and be binding upon the Company and its successors and assigns, including without limitation, any corporation or other entity into which the Company is merged or which acquires all or substantially all of the assets of the Company.

19. Entire Agreement. This Agreement embodies all of the representations, warranties, covenants, understandings and agreements between the Parties relating to Executive's employment with the Company. No other representations, warranties, covenants, understandings, or agreements exist between the Parties relating to Executive's employment. This Agreement shall supersede all prior agreements, written or oral, relating to Executive's employment. This Agreement may not be amended or modified except by a writing signed by the Parties.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed and delivered on the date first written above.

CLPS INCORPORATION

By: /s/ Raymond Ming Hui Lin

Name: Raymond Ming Hui Lin

Title: Chief Executive Officer

Agreed to and Accepted:

/s/ Li Li

Date: June 11, 2019

**Rental Contract for Shanghai Pudong Software Park Guo Shoujing Park****NO:ZL(R)20210069**

Both parties to this contract:

Party A (Lessor): Shanghai Pudong Software Park Co., Ltd.

Party B (Lessee): ChinaLink Professional Services Co., Ltd.

According to *Contract Law of the People's Republic of China* and *Regulations of Shanghai Municipality on House Leasing*, both parties conclude the contract on the basis of equality, voluntariness, fairness, honesty and credibility, for consenting that Party B should lease the house that Party A can lease according to law.

**Section 1.**

- 1-1 The house which is rented to Party B by Party A is located in Room 18201/18202/18203/18204/18205/18206/18207/18208, Building 18, Guo Shoujing Road No.498, Zhang Jiang High Tech Park, Pudong, Shanghai (hereinafter referred to as "the House"). The building area of the House is 1259.94 square meters. The House should be used for research and development and office. The structure of the House is reinforced concrete structure. The plan of the house is shown in Annex I (of this contract).
- 1-2 Party A establishes a leasing relationship with Party B as the real estate owner of the House. Party A has told Party B and Party B has fully known that the House has been mortgaged before the contract is signed.
- 1-3 The following (if any) is shown in Annex II and/or supplementary agreements of the Contract: the scope of use, conditions and requirements of public or shared parts of the House, the existing decoration of the House, ancillary facilities and equipment status, and the contents, standards, related matters of the decoration and additional facilities which Party A allows Party B to do in writing. Both parties agree that all attachments and supplementary agreements should be a basis for acceptance of housing delivery and return when the Contract is terminated or released.
- 1-4 When the Contract is signed, the House has accepted and used by Party B, and Party B confirm that the House can fit the purpose and acquirement of rental at the beginning of the tenancy term. On the basis of Party B's occupancy of the House, Party A does not have to perform any further duty to deliver the House to Party B.

**2. Rental Purposes**

- 2-1 Party B has fully known the House's properties and uses and Party B promises to Party A that the House will only be used for research and development and office and Party B will abide by the state and the city regulations on the use of housing and property management.
- 2-2 Party B promises that the above-mentioned purpose of the use will not be changed during the rental term unless such change gets Party A's written consent and is approved by the relevant departments according to relative regulations.
-

### 3. Renewal Term

- 3-1 The Contract is a renewal contract based on the original contract (No. ZL(R)20190043) which was signed for renting the House.
- 3-2 The renewal term is from July 1<sup>st</sup>, 2021 (hereinafter referred to as "lease date") to June 30<sup>th</sup>, 2024 (hereinafter referred to as "terminal date"). The rent will be counted from July 1<sup>st</sup>, 2021 (hereinafter referred to as "rent date") to terminal date.

### 4. Rent and Payment Methods

- 4-1 Both Parties agree that the unit rental price is counted according to the daily construction area per square meter.

From July 1<sup>st</sup>, 2021 to July 15<sup>th</sup>, 2021, rent free

From July 16<sup>st</sup>, 2021 to June 30<sup>th</sup>, 2022, the unit rental price is RMB 3.86 yuan

From July 1<sup>st</sup>, 2022 to June 30<sup>th</sup>, 2023, the unit rental price is RMB 3.98 yuan

From July 1<sup>st</sup>, 2023 to June 30<sup>th</sup>, 2024, the unit rental price is RMB 4.08 yuan

(The above unit rental prices are tax-inclusive prices)

- 4-2 Party B should pay the rent for the first month no later than the rent date. The days for calculating the rent for the first month is started from the rent date to the last day of the month. The monthly rent will be calculated and paid according to the calendar days of the month (the monthly rent calculation formula is: housing construction area  $\times$  unit rental price  $\times$  the calendar days of the month. The monthly rental amount is rounded to one decimal place). Party B should pay the rent to Party A before the 10<sup>th</sup> of each month (in case of national legal holidays postponed to the next working day). The last month's rent should be calculated from the first day of last month to the terminal day. If the days of the last month are less than 10, the last month's rent should be paid before the terminal date. If the days of the last month are not less than 10, the last month's rent should be paid before the 10<sup>th</sup> day of the month (in case of national legal holidays postponed to the next working day). Party A should issue the corresponding rental invoice to Party B within 3 working days after receiving the rent of the month.

4-3 Party A should issue the corresponding rental invoice to Party B within 3 working days after receiving the rent of the month. In the term of the Contract, if the invoice type or tax rate changes due to the change of taxation policies of the state and government, Party B agrees to adjust the price of rent and deposit according to the latest tax rate during the remaining lease. At that time, Party A will give Party B a formal notice, and both Parties should sign up supplementary agreements.

4-4 Party B pays the rent to Party A's following account by check or transfer:

**Shanghai Pudong Software Park Co., Ltd.**

1001194909004601783

ICBC Shanghai Zhangjiang sub branch

4-5 The rent is denominated and settled in RMB. In any case that the rent needs to be denominated and settled in other currency (the currency should be accepted by Chinese banks and convertible into RMB), the actual amount of RMB exchanged by the bank designated by Party A shall prevail. Relevant fees due to the payment (such as bank charges) should be borne by Party B.

4-6 Party A may entrust a property management company to assist in collecting the rent.

#### 5. Rental Deposit and Other Fees

5-1 Both Parties agree that Party B shall pay rental deposit to Party A within 5 working days after signing the Contract. The amount of the deposit is equivalent to the rent for the three months (90 days) of the highest unit price within the lease term, which is RMB 462,650 yuan. Party B has paid RMB 437,703 yuan for rental deposit under the original contract, and it will be automatically converted to the deposit under the Contract after the Contract becomes effective. The margin of the deposit is RMB 24,947 yuan, and Party B shall pay it to Party A within 5 working days after signing the Contract. Party A shall issue a receipt to Party B after receiving the deposit. If Party B fails to pay the lease deposit in full to Party A in accordance with the provisions of this contract, Party B shall pay Party A late payment fee of 0.3% of the outstanding amount per day, until the full payment is completed. If Party B delays or fails to pay more than 15 working days, Party A has the right to rescind the contract.

During the term of this contract, Party B shall, due to breach of contract, pay liquidated damages and/or damages to Party A in accordance with the provisions of this contract, and Party B shall separately pay Party A liquidated damages and/or damages, and shall not have the right to request Party A to deduct from the above deposit. Party A shall have the right (without any obligation) to deduct such liquidated damages and / or damages from Party B's rental deposit and notify Party B in writing of the amount of the deduction and margin supplement. Party B should pay Party A to complement the margin within 5 working days after accepting the notice from Party A.

Within 10 working days after the termination of the lease, Party A will refund Party B the balance of deposit to offset the fees (with no interest) which Party B should bear under the Contract (including but not limited to the monthly rent payable by Party B, property management fees, energy consumption, Party B's liquidated damages and / or compensation for damages). However, if Party B uses the House for the registration of Party B's residence, Party B shall, within 30 days from the date of the termination of the lease, complete the cancellation or alteration registration, and deliver the copy of the registration approval to Party A for record. Party A shall return the lease deposit to Party B according to the above term after that.

- 5-2 Besides the house rent and property management fees, Party B shall bear the costs of energy consumption (electricity, water and gas), communication expenses, rental fees for equipment and facilities incurred for its own use. Party A shall install separate meter for Party B's energy consumption and collect the fees from Party B according to the meter reading before transferring it to the offices of utilities. Party A may entrust property management companies to assist in collecting the above fees.
- 5-3 Both parties agree that the property management company entrusted by Party A (hereinafter referred to as "the management company") is responsible for the property management of the House. At the time of signing the Contract, the management company is Shanghai Puyuan Property Management Co., Ltd., which will be responsible for the property equipment operation, daily management and services of the House. Party B shall pay the property management fee. Party B shall sign the Property Management Agreement with the property management company prior to the transfer of the House. Property management fee and payment method of the House shall be implemented in accordance with the Property Management Agreement signed by Party B and the property management company.

#### 6. Housing Requirements and Maintenance Responsibilities

- 6-1 During the rental term, Party A promises that the House and its ancillary public facilities would be in normal usable and safe condition. If Party B finds that there is any damage or malfunction of the House or its ancillary public facilities (other than Party B's decoration and equipment), Party B shall notice Party A and / or the management company to repair. Party A and / or the management company shall conduct inspection or repair in 48 hours after receiving the written notice from Party B and repair it within the period agreed on by both parties or within a reasonable period. If Party A shall assume the responsibility for maintenance but Party A fails to repair it overdue, Party B may take the maintenance for it and reasonable maintenance expenses shall be borne by Party A.
- 6-2 During the rental term, Party B shall fair use and take good care of the House and its affiliated public facilities, and take various preventive measures to make the House safe from rain, wind or other natural causes. Party B shall assume maintenance responsibility for the improper or unreasonable use of Party B which results in the damage or failure of the House and its affiliated public facilities. If Party B refuses to assume responsibility for maintenance, Party A can take the maintenance on behalf of Party B, and reasonable maintenance costs borne by Party B. The maintenance of non-public facilities which is owned by Party B can be entrusted to the property management companies, and maintenance costs borne by Party B.

- 6-3 Party B shall strictly follow the applicable laws, regulations, rules and regulations of China and use the House in accordance with the contractual purposes, especially not to use the House in any unreasonable or unethical way. Party B will not use the House in any way that invalidates or increases the risk of insurance. Party B shall ensure that the business activities engaged in using the House have obtained the business license issued by the government administration for industry and commerce and guarantee that legal registration and permission shall be kept throughout the lease period.
- 6-4 During the rental term, Party A reserves the right to publish or authorize others to advertise, improve or add public facilities in other proper places where is not exclusively for Party B. Party A shall not affect Party B's normal use of the House and Party B's Normal business.
- 6-5 Party B agrees to guarantee that Party A and / or Party A's personnel shall be exempt from Party B's personal injury and / or property damage, and Party A and Party A's personnel shall also be exempt from the third party's claims and litigation caused by Party B.

#### 7. Decoration and Accretion

- 7-1 Party B shall be responsible for the second decoration of the House. Party B's decoration plan (including marking on the building facade or roof or other public parts of the House) shall be subject to Party A's approval and Party A's written consent. Party B shall not, without prior written consent of Party A, carry out any unauthorized activities or allow any other person to carry out any unauthorized alteration or addition of the House and its decoration, ancillary facilities and equipment (including but not limited to trunk lines, drainage, firefighting, indoor and outdoor appearances and existing installations). If such decoration needs the approval of the government department, Party B shall obtain the approval before construction.
- 7-2 During renovating the House, Party B shall not damage the building's facade or carry out any internal structural alterations that may affect the service life and safety of the House, including but not limited to the demolition and alteration of the bearing beam walls. If Party B needs to change the structure of the house or modify the ancillary facilities and equipment of the house, etc., in addition to the written consent of Party A, Party B shall pay the structural restoration fee deposit in accordance with the "Relevant Charges for Second Renovation of Leased Office of Shanghai Pudong Software Park", otherwise Party B shall not carry out construction.

- 7-3 During the rental term, the decoration belongs to Party B, and its responsibility for maintenance is also borne by Party B, unless the Parties agree otherwise. After the expiry of the rental term (including any early termination of the Contract attributable to Party B), Party B is obliged to remove the decoration extras and restore the house to the pre-lease status (except for natural losses). If Party B does not move on schedule, Party A can take the behalf of the removal, and the cost borne by Party B or deducted the cost from the deposit unless Party A agrees that Party B shall retain decoration remnants when returning the house.
- 7-4 Party A's written consent to the decoration of Party B shall not be construed as Party A's obligation or responsibility to Party B's decoration and its consequences. Party B shall guarantee that its decoration and other facilities for its own addition are safe and will not cause any potential safety hazard for the House or its users. Party B shall assume complete legal, technical and economic responsibility for its own decoration and its consequences.
- 7-5 Party A shall have the right to request Party B immediately to take all necessary measures to solve such safety problems if Party A finds any potential safety hazard caused by Party B's decoration and attachment actions during and after the lease and whether or not Party A agrees to such decoration and attachment plan, until Party A unilaterally lift the lease. Party B entrusts the contractor to renovate the house. If it is not the cause of Party A, which violates the laws and regulations of China, and the relevant provisions of construction, fire control and safety management, or causes property damage, Party B and the contractor shall take the responsibility.
8. Enter and Check
- 8-1 During the lease, in order to ensure that the house and its ancillary facilities are properly accessible and safe, Party A and / or the management company shall have the right to send staff to enter the house for reasonable inspection, maintenance and repair, but Party A and / or the management company shall notify Party B at least 1 working day in advance (except: emergency situation and situation that Party A cannot be foreseen or controlled). Party B should be cooperated with inspection, maintenance and repair, but Party A should minimize the impact on the use of the House by Party B.
- 8-2 If Party B renounces the right of renewal, or terminates this contract prematurely according to the Contract, or Party A and Party B fail to agree on whether to renew or not, Party B agrees that Party A has the right to accompany the interested subsequent tenants to visit the House within the time agreed upon by both parties within 6 months prior to the termination, but Party A should give advanced notice to Party B.

## 9. Sublet, Mix, Transfer and Exchange

- 9-1 Without the prior written consent of Party A, Party B shall not sublet part or whole of the House to any third party in any form (including but not limited to contracting, pooling affiliates, establishing affiliates, etc.) during the rental term, or mixed-use the House with any third party, or transfer the House to others for rent, or exchange with others.
- 9-2 If Party B sublets part or whole of the House to any third party during the rental term, or uses it in combination with any third party, or transfers the House to others for rent, or exchanges with other people's rented houses in accordance with a separate written agreement between Party A and Party B, Party B shall still be liable for the behavior of actual user of the House and the consequences during the rental term.

## 10. Priority Renewal Rights

- 10-1 If the lease of the Contract expires and Party B needs to continue leasing the House, Party B shall submit a written request for renewal to Party A at least four months before the expiry of the rental term of the Contract, and re-sign the rental contract with the consent of Party A. Under the same conditions, Party B shall enjoy the priority of renewal of the whole of the House, except as otherwise stipulated by laws and regulations. If Party B submits to Party A only a written request for renewal of the part of the House, Party B will not enjoy the priority of renewal. If Party B later requests for the renewal of a written request, it shall be deemed that Party B renounces the priority of renewal.
- 10-2 After Party A agrees with Party B's renewal and renewal conditions, both parties shall conclude a rental contract for the renewal of the House 3 months before the expiry date of the Contract. If Party B fails to sign the renewal contract with Party A overdue, it shall be deemed that Party B renounces the priority of renewal. The renewal rent is determined according to the renewal contract.

## 11. Return

- 11-1 Party B shall return the House to Party A no later than the expiry date of the lease or the date on which the Contract is terminated prematurely.
- 11-2 Before Party B returns the House to Party A, Party B shall clean the House so that the House is in good condition and can be rented. The House which is returned by Party B shall be in conformity with the condition when the house was delivered (that is, it meets the requirements of Annex II and / or other supplementary agreements). When the House is returned, it should be checked by Party A or / and the property management company entrusted by Party A and the expenses should be settled.

11-3 Party B may retain the status quo of the House's decoration if it has the written consent of Party A (permit that Party B may produce some natural wear and tear due to normal use) and move out of the House (hereinafter referred to as "move out of the House"), otherwise, it should be reinstated. If Party A shall agree in writing before Party B can retain the status quo of the House's decoration, Party A shall have no obligation to make any compensation or compensation for Party B's construction or renovation of the House and its decoration and facilities. If the Contract is terminated early due to Party A's reason or because Party A breaches the Contract, Party B has no obligation to restore the status quo ante, and the House will be returned according to the current status.

11-4 If Party B fails to return the house to Party A without the written consent of Party A or does not reach an agreement in writing with Party A on renewing the term, Party B shall pay the overdue liquidated damages of the House which is 3 times the rent to Party A, and shall bear all the energy, equipment, property management fees and all other expenses stipulated in the Contract during the period of occupation of the House. In addition, if Party B fails to return the house to Party A 15 days after the expiry date of the lease or the early termination date of the Contract, Party A has the right to release the house after written notice to Party B, Party A can (but does not have the obligation to) deposit it locally or expeditiously and Party A has the right to collect the custody fee and removal fee from Party B in respect of the objects and has the right to sell, transfer, discard or other ways which Party A deems it appropriate, and use the proceeds (if any) for any payment that Party B owes Party A and for any loss. In case of insufficient payment and compensation, Party A shall have the right to recover the balance from Party B.

## 12. Exemption for Party A

12-1 During the rental term, when Party B occupies the House and its ancillary facilities, public facilities, if Party B causes any loss of property, damage and personal injury caused by any of the following circumstances, Party B hereby agree, not because of Party A's intention or gross negligence, Party A does not bear any responsibility:

- (1) Any loss or damage due to expropriation, acquisition, confiscation, nationalization or any force majeure caused by state or government agencies;
- (2) Any loss or damage caused by theft, robbery and other criminal cases;
- (3) No water, electricity, telephone, fax, air-conditioning and other services to the House at any time or any public facilities in the House, including the planned maintenance and inspection of public facilities by a third party entrusted by Party A, are not operated and it is not due to Party A's reasons;
- (4) Party B's losses and damages caused by other lessees or third parties;

- (5) Party B's losses and damages which is not caused by Party A's intentional or gross negligence (Party A and / or the security guards and watchman's security services provided to the House do not constitute Party A's liability to the House, personnel, and property).

### 13. Breach of the Contract and Liability for Breach of Contract

#### 13-1 Party A's default

- (1) Party A shall compensate for the loss of Party B due to Party A's transfer of property right caused by Party A's setting up a new mortgage to the House during the rental term as stipulated in this contract.
- (2) During the rental term, Party A fails to perform the repair and maintenance responsibilities as stipulated in the Contract in time, resulting in damage to the House or property, or personal injury to Party B's personnel, sub-contractors, agents, employees, and decorators due to the structural problems of the House, Party A should be responsible for compensation.
- (3) During the rental term, except the exempt situation regulated by the Contract, laws or regulations, if Party A decides to terminate this contract or take the House back early without authorization, Party A should give a written notice to Party B 6 months early. In this case, in addition to returning the deposit to Party B, Party A should also pay liquidated damages which is amount to the monthly rent at that time to Party B. If Party A informs Party B 3 months early but less than 6 months, Party A should pay liquidated damages which is twice the monthly rent at that time to Party B. If Party A does not inform Party B 3 months early, Party A should pay liquidated damages which is triple the monthly rent at that time to Party B.

#### 13-2 Party B's default

- (1) If Party B overdue payment of rent, deposit, equipment rental fee, energy consumption fee, property management fee or other relevant expenses payable, Party B shall pay overdue fine which is 0.3% of the amount of overdue payment per day. If overdue 30 days, Party A has the right to interrupt the water, electricity and other energy supply, until Party B pays all the expenses. And Party B should bear the cost of re-connection.
- (2) If Party B fails to obtain the written consent of Party A to renovates the House or additional facilities beyond the written consent of Party A, Party A has the right to request Party B to restore the original state of the House. Party B shall be responsible for indemnification if Party B causes irreparable damage to the House or Party A suffers losses (including but not limited to fines, damages, etc.) due to the aforesaid acts of Party B.
- (3) Party B or any person expressly or implicitly authorized by Party B to enter the House or parking space shall be regarded as Party B's act. If such act causes damage or loss of personal or property to Party A or building, Party B shall jointly and severally liable for compensation.

- (4) During the rental term, except the exempt situation regulated by the Contract, if Party B decides to terminate this contract early without authorization and Party B gives a written notice to Party A 3 months early, Party B should pay liquidated damages which is amount to the monthly rent at that time to Party A. If Party B does not inform Party A 3 months early, Party B should pay liquidated damages which is triple the monthly rent at that time to Party A. Party A may deduct the above liquidated damages from the remaining balance of the rental deposit that Party B has already paid, and the insufficient part will be delivered separately by Party B.

Retirement refers to the behavior that Party B decides to terminate the lease relationship early for its own reasons, limited to a written statement.

- (5) If Party B registers the House as its domicile, and Party B fails to complete the registration of alteration or cancellation within 30 days from the date of termination of the tenancy or provide the copy of certificate of registration to Party A for the record, Party B shall pay Party A liquidated damages which is amount to the monthly rent at that time.
- (6) Party A has right to request Party B to compensate Party A for the losses suffered thereby, if Party B takes the following actions:
- (1) Intentional or negligent act of Party B and its employees and contractors on any part of the building or the House;
  - (2) Party B violates or fails to comply with any applicable provisions of the Contract;
  - (3) Party B, its employees and other acts of the contractor will affect the normal operation and management of the building by Party A and the property management company unless Party B provides reasonable explanations within 24 hours after receiving the written notice from Party A.

#### 14. The Force Majeure

- 14-1 If either the Property or any part of the Building is destroyed or is not suitable for research and development and office during the lease period due to Force Majeure, either party shall be entitled to notify the other in writing of the termination of the Contract, and neither party shall pursue the default responsibility. The Contract is terminated from the day when notice is given by either party. Party A should return Party B the remaining rental deposit, rental after the force majeure, and other expenses that Party B has prepaid within 10 working days from the date of termination of the Contract after deducting the relevant expenses according to Clause 13 of the Contract without interest, as long as Party B pays all the expenses payable by Party B before the force majeure which is regulated by the Contract and the supplementary agreements.

14-2 The above “force majeure” means any unforeseen event beyond the reasonable control of one party and which is unavoidable despite reasonable care is given by the party, including but not limited to, earthquake, typhoon, plague, flood, fire, storms, tidal waves or other natural disasters, declared or undeclared war, riots and so on.

#### 15. Terminate the Contract

15-1 Both Parties agree that one party may be written notice to the other party to terminate the Contract under the following situations, and the party breaching the Contract shall pay liquidated damages which is triple the monthly rent at that time to the other party. If the party breaching the Contract also cause damages to the other party, and if the liquidated damages are insufficient to meet the damages, the balance still needs to be made up.

- (1) Party A fails to deliver the House on time and still cannot deliver the House 30 days after the written notice from Party B;
- (2) The house delivered by Party A does not meet the contract stipulated in Annex II of the Contract, resulting in the failure to realize the purpose of the lease; or the House delivered by Party A is defective and endangers the safety of Party B;
- (3) Party B fails to obtain the written consent of Party A to change the use of the House;
- (4) Party B causes damage to the main structure of the House or other irreparable damage;
- (5) Party B, without the written consent of Party A and the approval of the relevant department, arbitrarily changed the nature of the production and use involved in the property planning;
- (6) Party B fails to obtain the written consent of Party A and permission from the safety production supervision, fire control and other relevant departments to add or modify special equipment or to produce, manage, transport, store, use or dispose of hazardous chemicals;
- (7) Party B renders part or all of the House to any third party without authorization, or uses it in combination with any third party, or transfers the House to others for rent or exchanges with other people’s houses;
- (8) Party B has not paid the rent over 30 days, and still cannot pay the rent 30 days after the written notice from Party A.

- 15-2 Due to the breach of item (8) of the preceding paragraph, the Party A has the right to retain all the articles in the House until Party B pays all the money (including the liquidated damages) to Party A.
- 15-3 Both Parties agree that the Contract is terminated under the following situations, and neither of them should be responsible for the termination.
- (1) The land use rights within the occupied area of the House are recovered early according to law;
  - (2) The House is requisitioned according to law because of public interests;
  - (3) The House is included in the scope of the permit for house demolition due to urban construction;
  - (4) The House is damaged, lost or has been identified as a dangerous house;
  - (5) Party A has informed Party B that the mortgage has been set before the rental, and is now being disposed of.

#### 16. Statements and Guarantees

a) Party A hereby states and guarantees as follows:

- (1) Party A has all the necessary authorizations to formally and effectively sign and perform the Contract and possess all the necessary powers and capabilities to lease the House to Party B in accordance with applicable laws.
- (2) Party A's signing and performance of the Contract shall not constitute a violation of the applicable law or any contract signed by Party A with any third party.
- (3) Party A guarantees that the House has been built and in good condition in accordance with applicable laws (including but not limited to safety and health related laws and regulations) and has legal ownership over it.

b) Party B hereby states and guarantees as follows:

- (1) Party B has all the necessary authorizations to formally and effectively sign and perform the Contract.

- (2) Party B has legal business qualification. During the renewal of the Contract, Party B will engage in business activities in accordance with the scope of its business license, and its business activities must comply with the relevant provisions of national laws and regulations.
- (3) Party B promises not to disclose any information involved in the Contract to any third party, including but not limited to the rental price. If Party B's behavior leaks any of above mentioned information, Party A reserves the right to retroactively indemnify Party B.

#### 17. Safe Production

- 17-1 Party B shall strictly comply with the safety management code of the park including the Notice on Enterprise Safety Management in Shanghai Pudong Software Park (see Annex III for details) and shall be fully responsible for its own safety management. Party B shall immediately inform Party A in an effective manner once a safety accident has occurred, and provide a written report after the incident, while trying its best to avoid or reduce the casualties or property damage. If the circumstances of the accident are serious and have caused or may cause casualties, Party B shall also directly report to the relevant government department in accordance with the law.
- 17-2 During the rental term of the Contract, Party A shall have the right to recourse to Party B and terminate the Contract if Party B produces safety accident in the area of Shanghai Pudong Software Park. If the safety accidents cause loss of Party A, Party B should compensate Party A.
- 17-3 Party B's safety records shall be used as a reference for Party B's priority rights such as renewal and extension of lease (if any).

#### 18. Other Terms

- 18-1 The Contract takes effect immediately after both parties have signed and sealed the contract.
- 18-2 The unaccomplished matters of the Contract may be concluded by the supplementary agreements or terms between Party A and Party B. The supplementary agreement, the terms and the supplements to the Contract are an integral part of the Contract. The written words in the Contract and its supplementary terms, agreements and the space in the appendix have the same effect as the printed language.
- 18-3 When both parties sign the Contract, they shall clearly understand their respective rights, obligations and responsibilities and are willing to fulfill their obligations strictly according to the Contract. If one party violates the Contract, the other party is entitled to claim according to the Contract.

- 18-4 Party A and Party B shall settle their disputes through negotiation during the performance of the Contract. If they fail to reach a consensus through negotiation, both parties agree to choose the following method (2) to settle in accordance with the laws of the People's Republic of China:
- (1) submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration;
  - (2) bring a lawsuit to the people's court where the House is located.
- 18-5 The Contract has four copies with the Annex, and Party A, Party B, the business department, the tax department each hold a copy. All of them have the same effect.
- 18-6 All fees and taxes related to the registration of the Contract (including but not limited to stamp duty) should be borne by both parties in accordance with the regulations of the People's Republic of China and Shanghai.
- 18-7 Party B is obliged to cooperate with Party A to complete all forms of non-profitable research activities for the purpose of industry research, including but not limited to questionnaires, interviews with business executives, and collection of economic data. Party A will not disclose any information or data provided by Party B for other purpose other than industry research and will not disclose any trade secrets to any third party which is not related to industrial research.

Annex I  
Plan of the House

Annex II

the existing decoration of the House, ancillary facilities and equipment status, and the decoration and additional facilities which Party A allows Party B to do in writing

Notice of Shanghai Pudong Software Park Enterprise Security Management

According to Production Safety Law of the People's Republic of China, Regulations on the Reporting, Investigation and Handling of Work Safety Accidents, Regulations on Production Safety of Shanghai, for further strengthen the security management of Shanghai Pudong Software Park, effectively protect the life of the park personnel and property safety, we will inform about the safety management in the park as follows:

1. Safety Management Responsibilities of Companies in the Park

The company in the park should be responsible for the work of safety management, including the area that the company leased, in the process of working, employee's safety management during working or work-related experiences, and take the responsibility.

1. The park enterprise assigns the safety commissioner as the first safety liaison and is in charge of the safety work in the leased area and liaises with Shanghai Pudong Software Park Co., Ltd. (hereinafter referred to as "Pu soft"). If there is a change of position in the safety commissioner, the job successor automatically becomes the first safety liaison or the park shall assign another person and informed in writing to Pu Soft.
2. Strictly abide by the laws, regulations and rules related to safety and possess the qualifications and conditions for safety production required for the operation of the business and industry.
3. Pursuant to the written approval by Pu soft company, if a company can sublease or sublet the office, it shall conclude a safety management agreement with the sub-tenant on the basis of the contents of this circular with a clear emphasis on safety responsibilities and management requirements.

2. Safety Requirements of Daily Operation

1. Establish safety management rules and systems with safety responsibility system as the core. Strengthen safety education and management of suppliers. Enhance daily education and training of employees in safety work. Provide safety management personnel and equipment. In accordance with the relevant regulations and establish safety standards emergency rescue and evacuation plan.
2. The renovations within the scope of renter and equipment installation should comply with the relevant provisions, norms and standards of safety and fire safety. According to national and local regulations, construction and equipment installation needs to be reviewed and accepted.
3. The facilities and equipment must pass inspection, tests and acceptance, and should be operated by trained and qualified people. Those people who are engaged in special operations must have the appropriate qualifications. The equipment and operations personnel should be reviewed annually in accordance with related regulations.

4. Don't produce, store toxic, harmful, flammable, explosive materials.
5. Loading and unloading of goods in the designated area, do a good job of on-site safety supervision and support.
6. It is strictly forbidden to lodge staff in the office area of Shanghai Pudong Software Park.
7. The risk of accidents or insecurity should be self-examination and timely rectification. Cooperate with Pu soft company and the property management unit for safety inspection and rectification.

3. Requirements of Fire Safety

1. Actively involved in the fire drill and cooperate with Pu soft company and property management units.
2. Equip fire extinguisher in line with the provisions in their own rented area. Set in line with the provisions of the requirements, identify the obvious emergency evacuation diagram. Always keep the evacuation routes and entrances and exits open.
3. Smoking is strictly forbidden in non-smoking areas. It is forbidden to use open flame in violation of regulation.
4. It is forbidden to block, close, occupy the evacuation routes and entrances and exits.

4. Requirements of Security and Traffic Safety

1. Improve staff's awareness of personal safety, property safety and traffic safety. Properly store their valuables such as cash and securities, and set up more reliable safety precautions to prevent theft.
2. The motor vehicles owned by their employees or their employees' relatives shall strictly follow the traffic lights' instruction and traffic signs' instruction to drive. Parking in the line with norms and regulations.

If any unexpected incident or accident occurs, including but not limited to safety production, anti-crime, traffic or public security, it shall be reported to Pu soft as soon as possible. In the case of emergencies, it shall be reported directly to the police, fire department, rescue department and other departments immediately, afterwards be reported to Pu soft company.

**Rental Contract for Shanghai Pudong Software Park Guo Shoujing Park**

Contract No: ZL (C) 20210016

Both parties to this contract:

Party A (Lessor): Shanghai Pudong Software Park Co., Ltd.

Party B (Lessee): Jaji (Shanghai) Co., Ltd.

According to **Contract Law of the People's Republic of China** and **Regulations of Shanghai Municipality on House Leasing**, both parties conclude the contract on the basis of equality, voluntariness, fairness, honesty and credibility, for consenting that Party B should lease the house that Party A can lease according to law.

**Section 1.**

- 1-1 The house which is rented to Party B by Party A is located in Room 18101/18102/18103/18104, Building 18, Guo Shoujing Road No.498, Zhang Jiang High Tech Park, Pudong, Shanghai (hereinafter referred to as "the House"). The building area of the House is 914.62 square meters. The House should be used for research and development and office. The structure of the House is reinforced concrete structure. The plan of the house is shown in Annex I of this contract.
- 1-2 Party A establishes a leasing relationship with Party B as the real estate owner of the House. Party A has told Party B and Party B has fully known that the House has been mortgaged before the contract is signed.
- 1-3 The following (if any) is shown in Annex II and/or supplementary agreements of the Contract: the scope of use, conditions and requirements of public or shared parts of the House, the existing decoration of the House, ancillary facilities and equipment status, and the contents, standards, related matters of the decoration and additional facilities which Party A allows Party B to do in writing. Both parties agree that all attachments and supplementary agreements should be a basis for acceptance of housing delivery and return when the Contract is terminated or released.
- 1-4 When the Contract is signed, the House has accepted and used by Party B, and Party B confirm that the House can fit the purpose and acquirement of rental at the beginning of the tenancy term. On the basis of Party B's occupancy of the House, Party A does not have to perform any further duty to deliver the House to Party B.

**2. Rental Purposes**

- 2-1 Party B has fully known the House's properties and uses and Party B promises to Party A that the House will only be used for research and development and office and Party B will abide by the state and the city regulations on the use of housing and property management.
- 2-2 Party B promises that the above-mentioned purpose of the use will not be changed during the rental term unless such change gets Party A's written consent and is approved by the relevant departments according to relative regulations.
-

### 3. Lease Term

- 3-1 the lease term of the house starts from April 1, 2021 (hereinafter referred to as the lease commencement date) to December 31, 2023 (hereinafter referred to as the lease expiration date).The rent period is from April 1, 2021 (hereinafter referred to as the rent payment date) to the expiration date of the lease term.
- 3-2 he delivery date of the house is April 1, 2021
- 3-3 Party A shall notify Party B of the acceptance and handover of the house at least one day in advance and no later than the delivery date. Party B shall send a representative to jointly accept the house with Party A and / or the property management company entrusted by Party A at the time notified by Party A.After the acceptance, Party B shall sign the written House acceptance handover certificate to show that Party A has delivered the house to Party B.

If both parties check that the house and its ancillary facilities do not meet the delivery standards agreed in this contract, Party A shall correct them within 3 days or within a reasonable period agreed by both parties to meet the delivery standards, and notify Party B and Party A to jointly accept the house again.After the re acceptance, Party B shall sign the written House acceptance handover letter to show that Party A has delivered the house to Party B.

If Party A fails to deliver the house to Party B as of the lease commencement date of Article 31, Party A shall extend the lease commencement date of Party B, and the new lease commencement date shall be calculated from the actual delivery date.From the lease date of Article 3.1, if the delivery of the house is delayed for more than 10 working days due to Party A, Party A shall pay Party B 10% of the daily rent of the house as liquidated damages for each delayed delivery day from the first working day after the lease date of Article 3.1, and postpone Party B's lease date. The new lease date shall be calculated from the actual delivery date.If the starting date of rent is postponed according to this paragraph, the starting date of rent shall be postponed accordingly.If the aforesaid breach of contract by Party A lasts for more than 30 days, Party B has the right to terminate this contract.

- 3-4 Party B shall handle the relevant handover procedures of the leased house no later than the delivery date. Party B's delay in handling the handover procedures will not affect the rent payable by Party B from the date of rent payment and other expenses borne by Party B.If the relevant handover procedures are not completed within 30 days after the delivery date agreed in the contract due to Party B, Party A has the right to terminate the contract.

### 4. Rent and Payment Methods

- 4-1 Party A and Party B agree that the rental unit price of the house is calculated according to the construction area per square meter per day, and Party A will issue a valid invoice after receiving Party B's monthly rent. Within the lease term agreed in this Contract

From April 1<sup>st</sup>,2021 to December 31<sup>st</sup> ,2021, the unit rental price is RMB 3.97 yuan

From January 1<sup>st</sup> , 2022 to December 31<sup>st</sup> ,2022, the unit rental price is RMB 4.09 yuan

From January 1<sup>st</sup> , 2023 to December 31<sup>st</sup> ,2023, the unit rental price is RMB 4.19 yuan

(The above unit rental prices are tax-inclusive prices)

- 4-2 Party B should pay the rent for the first month no later than the rent date. The days for calculating the rent for the first month is started form the rent date to the last day of the month. The monthly rent will be calculated and paid according to the calendar days of the month (the monthly rent calculation formula is: housing construction area  $\times$  unit rental price  $\times$  the calendar days of the month. The monthly rental amount is rounded to one decimal place). Party B should pay the rent to Party A before the 10<sup>th</sup> of each month (in case of national legal holidays postponed to the next working day). The last month's rent should be calculated from the first day of last month to the terminal day. If the days of the last month are less than 10, the last month's rent should be paid before the terminal date. If the days of the last month are not less than 10, the last month's rent should be paid before the 10<sup>th</sup> day of the month (in case of national legal holidays postponed to the next working day). Party A should issue the corresponding rental invoice to Party B within 3 working days after receiving the rent of the month.

4-3 Party A should issue the corresponding rental invoice to Party B within 3 working days after receiving the rent of the month. In the term of the Contract, if the invoice type or tax rate changes due to the change of taxation policies of the state and government, Party B agrees to adjust the price of rent and deposit according to the latest tax rate during the remaining lease. At that time, Party A will give Party B a formal notice, and both Parties should sign up supplementary agreements.

4-4 Party B pays the rent to Party A's following account by check or transfer:

**Shanghai Pudong Software Park Co., Ltd.**

**1001194909004601783**

ICBC Shanghai Zhangjiang sub branch

4-5 The rent is denominated and settled in RMB. In any case that the rent needs to be denominated and settled in other currency (the currency should be accepted by Chinese banks and convertible into RMB), the actual amount of RMB exchanged by the bank designated by Party A shall prevail. Relevant fees due to the payment (such as bank charges) should be borne by Party B.

4-6 Party A may entrust a property management company to assist in collecting the rent.

#### 5. Rental Deposit and Other Fees

5-1 Both Parties agree that Party B shall pay rental deposit to Party A within 5 working days after signing the Contract. The amount of the deposit is equivalent to the rent for the three months (90 days) of the highest unit price within the lease term, which is RMB344,903 yuan. Party A shall issue a receipt to Party B after receiving the deposit. If Party B fails to pay the lease deposit in full to Party A in accordance with the provisions of this contract, Party B shall pay Party A late payment fee of 0.3% of the outstanding amount per day, until the full payment is completed. If Party B delays or fails to pay more than 15 working days, Party A has the right to rescind the contract.

During the term of this contract, Party B shall, due to breach of contract, pay liquidated damages and/or damages to Party A in accordance with the provisions of this contract, and Party B shall separately pay Party A liquidated damages and/or damages, and shall not have the right to request Party A to deduct from the above deposit. Party A shall have the right (without any obligation) to deduct such liquidated damages and / or damages from Party B's rental deposit and notify Party B in writing of the amount of the deduction and margin supplement. Party B should pay Party A to complement the margin within 5 working days after accepting the notice from Party A.

Within 10 working days after the termination of the lease, Party A will refund Party B the balance of deposit to offset the fees (with no interest) which Party B should bear under the Contract (including but not limited to the monthly rent payable by Party B, property management fees, energy consumption, Party B's liquidated damages and / or compensation for damages). However, if Party B uses the House for the registration of Party B's residence, Party B shall, within 30 days from the date of the termination of the lease, complete the cancellation or alteration registration, and deliver the copy of the registration approval to Party A for record. Party A shall return the lease deposit to Party B according to the above term after that.

5-2 Besides the house rent and property management fees, Party B shall bear the costs of energy consumption (electricity, water and gas), communication expenses, rental fees for equipment and facilities incurred for its own use. Party A shall install separate meter for Party B's energy consumption and collect the fees from Party B according to the meter reading before transferring it to the offices of utilities. Party A may entrust property management companies to assist in collecting the above fees.

5-3 Both parties agree that the property management company entrusted by Party A (hereinafter referred to as "the management company") is responsible for the property management of the House. At the time of signing the Contract, the management company is Shanghai Puyuan Property Management Co., Ltd., which will be responsible for the property equipment operation, daily management and services of the House. Party B shall pay the property management fee. Party B shall sign the Property Management Agreement with the property management company prior to the transfer of the House. Property management fee and payment method of the House shall be implemented in accordance with the Property Management Agreement signed by Party B and the property management company.

#### 6. Housing Requirements and Maintenance Responsibilities

6-1 During the rental term, Party A promises that the House and its ancillary public facilities would be in normal usable and safe condition. If Party B finds that there is any damage or malfunction of the House or its ancillary public facilities (other than Party B's decoration and equipment), Party B shall notice Party A and / or the management company to repair. Party A and / or the management company shall conduct inspection or repair in 48 hours after receiving the written notice from Party B and repair it within the period agreed on by both parties or within a reasonable period. If Party A shall assume the responsibility for maintenance but Party A fails to repair it overdue, Party B may take the maintenance for it and reasonable maintenance expenses shall be borne by Party A.

6-2 During the rental term, Party B shall fair use and take good care of the House and its affiliated public facilities, and take various preventive measures to make the House safe from rain, wind or other natural causes. Party B shall assume maintenance responsibility for the improper or unreasonable use of Party B which results in the damage or failure of the House and its affiliated public facilities. If Party B refuses to assume responsibility for maintenance, Party A can take the maintenance on behalf of Party B, and reasonable maintenance costs borne by Party B. The maintenance of non-public facilities which is owned by Party B can be entrusted to the property management companies, and maintenance costs borne by Party B.

- 6-3 Party B shall strictly follow the applicable laws, regulations, rules and regulations of China and use the House in accordance with the contractual purposes, especially not to use the House in any unreasonable or unethical way. Party B will not use the House in any way that invalidates or increases the risk of insurance. Party B shall ensure that the business activities engaged in using the House have obtained the business license issued by the government administration for industry and commerce and guarantee that legal registration and permission shall be kept throughout the lease period.
- 6-4 During the rental term, Party A reserves the right to publish or authorize others to advertise, improve or add public facilities in other proper places where is not exclusively for Party B. Party A shall not affect Party B's normal use of the House and Party B's Normal business.
- 6-5 Party B agrees to guarantee that Party A and / or Party A's personnel shall be exempt from Party B's personal injury and / or property damage, and Party A and Party A's personnel shall also be exempt from the third party's claims and litigation caused by Party B.

#### 7. Decoration and Accretion

- 7-1 Party B shall be responsible for the second decoration of the House. Party B's decoration plan (including marking on the building facade or roof or other public parts of the House) shall be subject to Party A's approval and Party A's written consent. Party B shall not, without prior written consent of Party A, carry out any unauthorized activities or allow any other person to carry out any unauthorized alteration or addition of the House and its decoration, ancillary facilities and equipment (including but not limited to trunk lines, drainage, firefighting, indoor and outdoor appearances and existing installations). If such decoration needs the approval of the government department, Party B shall obtain the approval before construction.
- 7-2 During renovating the House, Party B shall not damage the building's facade or carry out any internal structural alterations that may affect the service life and safety of the House, including but not limited to the demolition and alteration of the bearing beam walls. If Party B needs to change the structure of the house or modify the ancillary facilities and equipment of the house, etc., in addition to the written consent of Party A, Party B shall pay the structural restoration fee deposit in accordance with the "Relevant Charges for Second Renovation of Leased Office of Shanghai Pudong Software Park", otherwise Party B shall not carry out construction.
- 7-3 During the rental term, the decoration belongs to Party B, and its responsibility for maintenance is also borne by Party B, unless the Parties agree otherwise. After the expiry of the rental term (including any early termination of the Contract attributable to Party B), Party B is obliged to remove the decoration extras and restore the house to the pre-lease status (except for natural losses). If Party B does not move on schedule, Party A can take the behalf of the removal, and the cost borne by Party B or deducted the cost from the deposit unless Party A agrees that Party B shall retain decoration remnants when returning the house.

- 7-4 Party A's written consent to the decoration of Party B shall not be construed as Party A's obligation or responsibility to Party B's decoration and its consequences. Party B shall guarantee that its decoration and other facilities for its own addition are safe and will not cause any potential safety hazard for the House or its users. Party B shall assume complete legal, technical and economic responsibility for its own decoration and its consequences.
- 7-5 Party A shall have the right to request Party B immediately to take all necessary measures to solve such safety problems if Party A finds any potential safety hazard caused by Party B's decoration and attachment actions during and after the lease and whether or not Party A agrees to such decoration and attachment plan, until Party A unilaterally lift the lease. Party B entrusts the contractor to renovate the house. If it is not the cause of Party A, which violates the laws and regulations of China, and the relevant provisions of construction, fire control and safety management, or causes property damage, Party B and the contractor shall take the responsibility.

#### 8. Enter and Check

- 8-1 During the lease, in order to ensure that the house and its ancillary facilities are properly accessible and safe, Party A and / or the management company shall have the right to send staff to enter the house for reasonable inspection, maintenance and repair, but Party A and / or the management company shall notify Party B at least 1 working day in advance (except: emergency situation and situation that Party A cannot be foreseen or controlled). Party B should be cooperated with inspection, maintenance and repair, but Party A should minimize the impact on the use of the House by Party B.
- 8-2 If Party B renounces the right of renewal, or terminates this contract prematurely according to the Contract, or Party A and Party B fail to agree on whether to renew or not, Party B agrees that Party A has the right to accompany the interested subsequent tenants to visit the House within the time agreed upon by both parties within 6 months prior to the termination, but Party A should give advanced notice to Party B.

#### 9. Sublet, Mix, Transfer and Exchange

- 9-1 Without the prior written consent of Party A, Party B shall not sublet part or whole of the House to any third party in any form (including but not limited to contracting, pooling affiliates, establishing affiliates, etc.) during the rental term, or mixed-use the House with any third party, or transfer the House to others for rent, or exchange with others.
- 9-2 If Party B sublets part or whole of the House to any third party during the rental term, or uses it in combination with any third party, or transfers the House to others for rent, or exchanges with other people's rented houses in accordance with a separate written agreement between Party A and Party B, Party B shall still be liable for the behavior of actual user of the House and the consequences during the rental term.

## 10. Priority Renewal Rights

- 10-1 If the lease of the Contract expires and Party B needs to continue leasing the House, Party B shall submit a written request for renewal to Party A at least four months before the expiry of the rental term of the Contract, and re-sign the rental contract with the consent of Party A. Under the same conditions, Party B shall enjoy the priority of renewal of the whole of the House, except as otherwise stipulated by laws and regulations. If Party B submits to Party A only a written request for renewal of the part of the House, Party B will not enjoy the priority of renewal. If Party B later requests for the renewal of a written request, it shall be deemed that Party B renounces the priority of renewal.
- 10-2 After Party A agrees with Party B's renewal and renewal conditions, both parties shall conclude a rental contract for the renewal of the House 3 months before the expiry date of the Contract. If Party B fails to sign the renewal contract with Party A overdue, it shall be deemed that Party B renounces the priority of renewal. The renewal rent is determined according to the renewal contract.

## 11. Return

- 11-1 Party B shall return the House to Party A no later than the expiry date of the lease or the date on which the Contract is terminated prematurely.
- 11-2 Before Party B returns the House to Party A, Party B shall clean the House so that the House is in good condition and can be rented. The House which is returned by Party B shall be in conformity with the condition when the house was delivered (that is, it meets the requirements of Annex II and / or other supplementary agreements). When the House is returned, it should be checked by Party A or / and the property management company entrusted by Party A and the expenses should be settled.
- 11-3 Party B may retain the status quo of the House's decoration if it has the written consent of Party A (permit that Party B may produce some natural wear and tear due to normal use) and move out of the House (hereinafter referred to as "move out of the House"), otherwise, it should be reinstated. If Party A shall agree in writing before Party B can retain the status quo of the House's decoration, Party A shall have no obligation to make any compensation or compensation for Party B's construction or renovation of the House and its decoration and facilities. If the Contract is terminated early due to Party A's reason or because Party A breaches the Contract, Party B has no obligation to restore the status quo ante, and the House will be returned according to the current status.
- 11-4 If Party B fails to return the house to Party A without the written consent of Party A or does not reach an agreement in writing with Party A on renewing the term, Party B shall pay the overdue liquidated damages of the House which is 3 times the rent to Party A, and shall bear all the energy, equipment, property management fees and all other expenses stipulated in the Contract during the period of occupation of the House. In addition, if Party B fails to return the house to Party A 15 days after the expiry date of the lease or the early termination date of the Contract, Party A has the right to release the house after written notice to Party B, Party A can (but does not have the obligation to) deposit it locally or expeditiously and Party A has the right to collect the custody fee and removal fee from Party B in respect of the objects and has the right to sell, transfer, discard or other ways which Party A deems it appropriate, and use the proceeds (if any) for any payment that Party B owes Party A and for any loss. In case of insufficient payment and compensation, Party A shall have the right to recover the balance from Party B.

## 12. Exemption for Party A

- 12-1 During the rental term, when Party B occupies the House and its ancillary facilities, public facilities, if Party B causes any loss of property, damage and personal injury caused by any of the following circumstances, Party B hereby agree, not because of Party A's intention or gross negligence, Party A does not bear any responsibility:
- (1) Any loss or damage due to expropriation, acquisition, confiscation, nationalization or any force majeure caused by state or government agencies;

- (2) Any loss or damage caused by theft, robbery and other criminal cases;
- (3) No water, electricity, telephone, fax, air-conditioning and other services to the House at any time or any public facilities in the House, including the planned maintenance and inspection of public facilities by a third party entrusted by Party A, are not operated and it is not due to Party A's reasons;
- (4) Party B's losses and damages caused by other lessees or third parties;
- (5) Party B's losses and damages which is not caused by Party A's intentional or gross negligence (Party A and / or the security guards and watchman's security services provided to the House do not constitute Party A's liability to the House, personnel, and property).

### 13. Breach of the Contract and Liability for Breach of Contract

#### 13-1 Party A's default

- (1) Party A shall compensate for the loss of Party B due to Party A's transfer of property right caused by Party A's setting up a new mortgage to the House during the rental term as stipulated in this contract.
- (2) During the rental term, Party A fails to perform the repair and maintenance responsibilities as stipulated in the Contract in time, resulting in damage to the House or property, or personal injury to Party B's personnel, sub-contractors, agents, employees, and decorators due to the structural problems of the House, Party A should be responsible for compensation.
- (3) During the rental term, except the exempt situation regulated by the Contract, laws or regulations, if Party A decides to terminate this contract or take the House back early without authorization, Party A should give a written notice to Party B 6 months early. In this case, in addition to returning the deposit to Party B, Party A should also pay liquidated damages which is amount to the monthly rent at that time to Party B. If Party A informs Party B 3 months early but less than 6 months, Party A should pay liquidated damages which is twice the monthly rent at that time to Party B. If Party A does not inform Party B 3 months early, Party A should pay liquidated damages which is triple the monthly rent at that time to Party B.

#### 13-2 Party B's default

- (1) If Party B overdue payment of rent, deposit, equipment rental fee, energy consumption fee, property management fee or other relevant expenses payable, Party B shall pay overdue fine which is 0.3% of the amount of overdue payment per day. If overdue 30 days, Party A has the right to interrupt the water, electricity and other energy supply, until Party B pays all the expenses. And Party B should bear the cost of re-connection.
- (2) If Party B fails to obtain the written consent of Party A to renovates the House or additional facilities beyond the written consent of Party A, Party A has the right to request Party B to restore the original state of the House. Party B shall be responsible for indemnification if Party B causes irreparable damage to the House or Party A suffers losses (including but not limited to fines, damages, etc.) due to the aforesaid acts of Party B.
- (3) Party B or any person expressly or implicitly authorized by Party B to enter the House or parking space shall be regarded as Party B's act. If such act causes damage or loss of personal or property to Party A or building, Party B shall jointly and severally liable for compensation.

- (4) During the rental term, except the exempt situation regulated by the Contract, if Party B decides to terminate this contract early without authorization and Party B gives a written notice to Party A 3 months early, Party B should pay liquidated damages which is amount to the monthly rent at that time to Party A. If Party B does not inform Party A 3 months early, Party B should pay liquidated damages which is triple the monthly rent at that time to Party A. Party A may deduct the above liquidated damages from the remaining balance of the rental deposit that Party B has already paid, and the insufficient part will be delivered separately by Party B.

Retirement refers to the behavior that Party B decides to terminate the lease relationship early for its own reasons, limited to a written statement.

- (5) If Party B registers the House as its domicile, and Party B fails to complete the registration of alteration or cancellation within 30 days from the date of termination of the tenancy or provide the copy of certificate of registration to Party A for the record, Party B shall pay Party A liquidated damages which is amount to the monthly rent at that time.
- (6) Party A has right to request Party B to compensate Party A for the losses suffered thereby, if Party B takes the following actions:
- (1) Intentional or negligent act of Party B and its employees and contractors on any part of the building or the House;
  - (2) Party B violates or fails to comply with any applicable provisions of the Contract;
  - (3) Party B, its employees and other acts of the contractor will affect the normal operation and management of the building by Party A and the property management company unless Party B provides reasonable explanations within 24 hours after receiving the written notice from Party A.

#### 14. The Force Majeure

- 14-1 If either the Property or any part of the Building is destroyed or is not suitable for research and development and office during the lease period due to Force Majeure, either party shall be entitled to notify the other in writing of the termination of the Contract, and neither party shall pursue the default responsibility. The Contract is terminated from the day when notice is given by either party. Party A should return Party B the remaining rental deposit, rental after the force majeure, and other expenses that Party B has prepaid within 10 working days from the date of termination of the Contract after deducting the relevant expenses according to Clause 13 of the Contract without interest, as long as Party B pays all the expenses payable by Party B before the force majeure which is regulated by the Contract and the supplementary agreements.
- 14-2 The above “force majeure” means any unforeseen event beyond the reasonable control of one party and which is unavoidable despite reasonable care is given by the party, including but not limited to, earthquake, typhoon, plague, flood, fire, storms, tidal waves or other natural disasters, declared or undeclared war, riots and so on.

#### 15. Terminate the Contract

- 15-1 Both Parties agree that one party may be written notice to the other party to terminate the Contract under the following situations, and the party breaching the Contract shall pay liquidated damages which is triple the monthly rent at that time to the other party. If the party breaching the Contract also cause damages to the other party, and if the liquidated damages are insufficient to meet the damages, the balance still needs to be made up.
- (1) Party A fails to deliver the House on time and still cannot deliver the House 30 days after the written notice from Party B;

- (2) The house delivered by Party A does not meet the contract stipulated in Annex II of the Contract, resulting in the failure to realize the purpose of the lease; or the House delivered by Party A is defective and endangers the safety of Party B;
- (3) Party B fails to obtain the written consent of Party A to change the use of the House;
- (4) Party B causes damage to the main structure of the House or other irreparable damage;
- (5) Party B, without the written consent of Party A and the approval of the relevant department, arbitrarily changed the nature of the production and use involved in the property planning;
- (6) Party B fails to obtain the written consent of Party A and permission from the safety production supervision, fire control and other relevant departments to add or modify special equipment or to produce, manage, transport, store, use or dispose of hazardous chemicals;
- (7) Party B renders part or all of the House to any third party without authorization, or uses it in combination with any third party, or transfers the House to others for rent or exchanges with other people's houses;
- (8) Party B has not paid the rent over 30 days, and still cannot pay the rent 30 days after the written notice from Party A.

15-2 Due to the breach of item (8) of the preceding paragraph, the Party A has the right to retain all the articles in the House until Party B pays all the money (including the liquidated damages) to Party A.

15-3 Both Parties agree that the Contract is terminated under the following situations, and neither of them should be responsible for the termination.

- (1) The land use rights within the occupied area of the House are recovered early according to law;
- (2) The House is requisitioned according to law because of public interests;
- (3) The House is included in the scope of the permit for house demolition due to urban construction;
- (4) The House is damaged, lost or has been identified as a dangerous house;
- (5) Party A has informed Party B that the mortgage has been set before the rental, and is now being disposed of.

## 16. Statements and Guarantees

a) Party A hereby states and guarantees as follows:

- (1) Party A has all the necessary authorizations to formally and effectively sign and perform the Contract and possess all the necessary powers and capabilities to lease the House to Party B in accordance with applicable laws.
- (2) Party A's signing and performance of the Contract shall not constitute a violation of the applicable law or any contract signed by Party A with any third party.
- (3) Party A guarantees that the House has been built and in good condition in accordance with applicable laws (including but not limited to safety and health related laws and regulations) and has legal ownership over it.

b) Party B hereby states and guarantees as follows:

- (1) Party B has all the necessary authorizations to formally and effectively sign and perform the Contract.
- (2) Party B has legal business qualification. During the renewal of the Contract, Party B will engage in business activities in accordance with the scope of its business license, and its business activities must comply with the relevant provisions of national laws and regulations.
- (3) Party B promises not to disclose any information involved in the Contract to any third party, including but not limited to the rental price. If Party B's behavior leaks any of above mentioned information, Party A reserves the right to retroactively indemnify Party B.

## 17. Safe Production

17-1 Party B shall strictly comply with the safety management code of the park including the Notice on Enterprise Safety Management in Shanghai Pudong Software Park (see Annex III for details) and shall be fully responsible for its own safety management. Party B shall immediately inform Party A in an effective manner once a safety accident has occurred, and provide a written report after the incident, while trying its best to avoid or reduce the casualties or property damage. If the circumstances of the accident are serious and have caused or may cause casualties, Party B shall also directly report to the relevant government department in accordance with the law.

17-2 During the rental term of the Contract, Party A shall have the right to recourse to Party B and terminate the Contract if Party B produces safety accident in the area of Shanghai Pudong Software Park. If the safety accidents cause loss of Party A, Party B should compensate Party A.

17-3 Party B's safety records shall be used as a reference for Party B's priority rights such as renewal and extension of lease (if any).

## 18. Other Terms

18-1 The Contract takes effect immediately after both parties have signed and sealed the contract.

18-2 The unaccomplished matters of the Contract may be concluded by the supplementary agreements or terms between Party A and Party B. The supplementary agreement, the terms and the supplements to the Contract are an integral part of the Contract. The written words in the Contract and its supplementary terms, agreements and the space in the appendix have the same effect as the printed language.

- 18-3 When both parties sign the Contract, they shall clearly understand their respective rights, obligations and responsibilities and are willing to fulfill their obligations strictly according to the Contract. If one party violates the Contract, the other party is entitled to claim according to the Contract.
- 18-4 Party A and Party B shall settle their disputes through negotiation during the performance of the Contract. If they fail to reach a consensus through negotiation, both parties agree to choose the following method (2) to settle in accordance with the laws of the People's Republic of China:
- (1) submitted to China International Economic and Trade Arbitration Commission Shanghai Branch for arbitration;
  - (2) bring a lawsuit to the people's court where the House is located.
- 18-5 The Contract has four copies with the Annex, and Party A, Party B, the business department, the tax department each hold a copy. All of them have the same effect.
- 18-6 All fees and taxes related to the registration of the Contract (including but not limited to stamp duty) should be borne by both parties in accordance with the regulations of the People's Republic of China and Shanghai.
- 18-7 Party B is obliged to cooperate with Party A to complete all forms of non-profitable research activities for the purpose of industry research, including but not limited to questionnaires, interviews with business executives, and collection of economic data. Party A will not disclose any information or data provided by Party B for other purpose other than industry research and will not disclose any trade secrets to any third party which is not related to industrial research.



the existing decoration of the House, ancillary facilities and equipment status, and the decoration and additional facilities which Party A allows Party B to do in writing

Notice of Shanghai Pudong Software Park Park Enterprise Security Management

According to Production Safety Law of the People's Republic of China, Regulations on the Reporting, Investigation and Handling of Work Safety Accidents, Regulations on Production Safety of Shanghai, for further strengthen the security management of Shanghai Pudong Software Park, effectively protect the life of the park personnel and property safety, we will inform about the safety management in the park as follows:

1. Safety Management Responsibilities of Companies in the Park

The company in the park should be responsible for the work of safety management, including the area that the company leased, in the process of working, employee's safety management during working or work-related experiences, and take the responsibility.

1. The park enterprise assigns the safety commissioner as the first safety liaison and is in charge of the safety work in the leased area and liaises with Shanghai Pudong Software Park Co., Ltd. (hereinafter referred to as "Pu soft"). If there is a change of position in the safety commissioner, the job successor automatically becomes the first safety liaison or the park shall assign another person and informed in writing to Pu Soft.
2. Strictly abide by the laws, regulations and rules related to safety and possess the qualifications and conditions for safety production required for the operation of the business and industry.
3. Pursuant to the written approval by Pu soft company, if a company can sublease or sublet the office, it shall conclude a safety management agreement with the sub-tenant on the basis of the contents of this circular with a clear emphasis on safety responsibilities and management requirements.

2. Safety Requirements of Daily Operation

1. Establish safety management rules and systems with safety responsibility system as the core. Strengthen safety education and management of suppliers. Enhance daily education and training of employees in safety work. Provide safety management personnel and equipment. In accordance with the relevant regulations and establish safety standards emergency rescue and evacuation plan.
2. The renovations within the scope of renter and equipment installation should comply with the relevant provisions, norms and standards of safety and fire safety. According to national and local regulations, construction and equipment installation needs to be reviewed and accepted.
3. The facilities and equipment must pass inspection, tests and acceptance, and should be operated by trained and qualified people. Those people who are engaged in special operations must have the appropriate qualifications. The equipment and operations personnel should be reviewed annually in accordance with related regulations.

4. Don't produce, store toxic, harmful, flammable, explosive materials.
  5. Loading and unloading of goods in the designated area, do a good job of on-site safety supervision and support.
  6. It is strictly forbidden to lodge staff in the office area of Shanghai Pudong Software Park.
  7. The risk of accidents or insecurity should be self-examination and timely rectification. Cooperate with Pu soft company and the property management unit for safety inspection and rectification.
3. Requirements of Fire Safety
1. Actively involved in the fire drill and cooperate with Pu soft company and property management units.
  2. Equip fire extinguisher in line with the provisions in their own rented area. Set in line with the provisions of the requirements, identify the obvious emergency evacuation diagram. Always keep the evacuation routes and entrances and exits open.
  3. Smoking is strictly forbidden in non-smoking areas. It is forbidden to use open flame in violation of regulation.
  4. It is forbidden to block, close, occupy the evacuation routes and entrances and exits.
4. Requirements of Security and Traffic Safety
1. Improve staff's awareness of personal safety, property safety and traffic safety. Properly store their valuables such as cash and securities, and set up more reliable safety precautions to prevent theft.
  2. The motor vehicles owned by their employees or their employees' relatives shall strictly follow the traffic lights' instruction and traffic signs' instruction to drive. Parking in the line with norms and regulations.

If any unexpected incident or accident occurs, including but not limited to safety production, anti-crime, traffic or public security, it shall be reported to Pu soft as soon as possible. In the case of emergencies, it shall be reported directly to the police, fire department, rescue department and other departments immediately, afterwards be reported to Pu soft company.

**SPD BANK**

contract for loans of working capital

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**contract for loans of working capital**

Borrower: ChinaLink Professional Services Co., Ltd.

Principal business address : 2nd floor, building 18, No. 498, GuoShouJing Road, Pudong New Area, Shanghai

The contact : Lisa Wu Tell : 18516502856

Fax : / Email : lisa.wu@clpsglobal.com

Lender : Shanghai Pudong Development Bank Co., LTD. Jinqiao Branch

Principal business address : No.509 Jinqiao Road, Pudong New Area, Shanghai

The contact : Lin Xie Tell : 021-58994702

Whereas;

the borrower applies to the lender for working capital loan due to capital turnover needs; Upon review, the Lender agrees to release the loan in accordance with the terms and conditions of this Contract. In order to clarify the rights and obligations of both parties, both parties hereby enter into this Contract for compliance with the relevant laws, regulations and rules of the People's Republic of China through mutual agreement.

At the same time, the borrower and the lender confirm the following principal terms (please select in the box below according to the situation, tick X if not selected);

This contract, as the number of a/financing bottle degree of agreement (hereinafter referred to as the credit line agreement) affiliated with the financing documents signed, this contract comes into force, all its terms and conditions are incorporated into the financing credit agreement, and as a part of (if the borrower have previously signed the melt line agreement, should choose the project, and indicate the credit line agreement number);

R This contract is an independent credit document signed between the borrower and the lender (this item should be selected if the borrower and the lender have not signed the financing line agreement);

The guarantor has been informed that the purpose of the loan under this contract is to repay the loan under the original contract name: \_\_\_Date of signing:\_\_\_ No: \_\_\_.(Select this item if the purpose of borrowing is to repay the old or renew the loan)

#### The Part One Commercial terms

1. Types of Loans: R Short-term working capital loans;  mid-term liquidity loan,
2. loan amount under this contract is RMB(currency) 10 million
3. the specific use of loan under this contract as follows: payroll
4. the time limit for the loan under this contract (in the following box, please, don't choose to play x)

R since \_\_\_\_\_ to \_\_\_\_\_.

From the date of first withdrawal \_\_\_/\_\_\_ year (or \_\_\_/\_\_\_months)

The actual withdrawal date and repayment date shall be the date recorded on the ious (loan certificate) issued by the lender and the borrower. The last repayment date shall not exceed the loan term agreed herein. The loan (loan certificate) is an integral part of this contract.

5 . The interest rate of the loan under this Contract is (please tick V in the box below and x if not)

R (1) the RMB loans Interest Rate :

Each loan under this Contract shall be issued according to the loan market quoted APR (term) -1 BPS published by The National Inter-Bank Lending Center at the end of the day prior to the actual date of loan issuance. If the calculated interest rate is less than 0%, it shall be implemented as 0%. (The quoted market interest rate is the annual interest rate, which can be found through the National Inter-bank Lending Center and the website of the People's Bank of China)

After each loan is issued, if the quoted interest rate of the loan market is adjusted during the loan term, the loan interest rate (please put a in the box below and x in case of non-I):

R Fixed interest rate without adjustment;

Since interest rates adjust interest rates to adjust interest rates before a complex day by day the national interbank funding center published in this article the contract term loan market quotation rate (LPR) as the base, the way of fixed interest rate floating point and calculating constant, specific interest rates adjust below (please v is selected in the following box, does not escape the x) :

The interest rate is adjusted by year, and the interest rate adjustment day is the corresponding day of the actual loan issuing date in the corresponding month of the next Gregorian calendar year. If there is no corresponding day of the actual loan issuing date in the corresponding month of the next Gregorian calendar year, the interest rate adjustment day is the last day of the actual loan issuing date in the corresponding month of the next Gregorian calendar year:

Adjust the interest rate according to year, the interest rate adjustment date is January 1 of each year ;

Adjust the interest rate according to the interest settlement date, and the interest rate adjustment day is the next day of the interest settlement date ;

Quarterly adjustment of interest rate, interest rate adjustment day for the end of each quarter on a monthly basis, ;

interest rate adjustment day for a monthly/daily

other agreement (specific interest rate adjustment day),

(2) interest rate of foreign currency loan;

each loan under this Contract will be issued \_\_\_at the rate of \_\_\_(LIBORAHIBORSIBOR) published by the Lender on the date of disbursement plus/BPS.

After each loan under this joint venture is issued, the loan interest rate shall be adjusted by \_\_\_.

Fixed rate, that is, the interest rate is not adjusted.

6. The method of loan settlement under this Contract is (please check the box below/tick X if not selected):

On a monthly basis, the settlement date is the second +(20) day of each month;

R Quarterly, then the settlement date is the twentieth (20th) day of the last month of each quarter:

Other methods:

And each repayment interest under this contract is clear with this.

7. Penalty interest rate under the Contract is:

(1) This overdue penalty interest rate shall be applied at the loan execution rate applicable on the date of penalty interest collection plus 30 %.

(2) If the loan is not used in accordance with the purpose agreed herein, the penalty interest rate will be calculated and the loan execution interest rate applied on the penalty interest date shall be charged plus 50%.

8. The drawdown period of the loan under the Contract is from Jun 7, 2021 to Jun 30, 2021. The first withdrawal shall be made before Jun 30, 2021

9. The withdrawal plan for the loan under this Contract is as follows (please select/ in the box below, tick X if you do not select)

the withdrawal plan is shown in the table below :

<u>NO</u>	<u>The withdrawal date</u>	<u>On withdrawals</u>
1		

Other withdrawal plans: /\_\_\_\_\_.

10. The repayment plan of the loan under this Contract is as follows (Please tick R in the box below, if not, tick x)

NO	Repayment date	Reimbursement amount
1		

11. Liquidated damages for loan repayment in advance; Equivalent to 0% or RMB(currency) 0 the actual amount of loan repaid in advance

12. The principal amount of loan repayment in advance shall not be less than RMB( currency) 0

13. Account opening (select one of the following modes for RMB loans, select the special account mode for foreign currency loans, and mark X for those not selected)

R Unsegregated account mode :

(1) The general settlement account opened by the borrower with the lender is:

Bank : Shanghai Pudong Development Bank Co., LTD. Jinqiao Branch

Bank account name : ChinaLink Professional Services Co., Ltd.

Bank account number:98840078801600002917

(2) the borrower's fund recovery account opened with the lender is:

Bank : Shanghai Pudong Development Bank Co., LTD. Jinqiao Branch

Bank account name : ChinaLink Professional Services Co., Ltd.

Bank account number:98840078801600002917

Special Account mode

(1) The special account for working capital loan opened by the borrower with the lender is:

Bank : \_\_\_\_\_ / \_\_\_\_\_.

Bank account name : \_\_\_\_\_ / \_\_\_\_\_.

Bank account number: \_\_\_\_\_ / \_\_\_\_\_.

(2) The general settlement account opened by the borrower with the lender is:

Bank : \_\_\_\_\_ / \_\_\_\_\_.

Bank account name : \_\_\_\_\_ / \_\_\_\_\_.

Bank account number: \_\_\_\_\_ / \_\_\_\_\_.

(3) The Borrower's fund recovery account opened with the Lender is:

Bank : \_\_\_\_\_ / \_\_\_\_\_.

Bank account name : \_\_\_\_\_ / \_\_\_\_\_.

Bank account number: \_\_\_\_\_ / \_\_\_\_\_.

14. Entrusted Payment by the Lender: if the payment object is clear and the single managed payment amount exceeds (currency amount) \_\_\_\_\_ the loan fund payment, the entrusted payment method of the Lender shall be

15. The guarantors and security contracts providing security for the debt hereunder include but are not limited to :

The guarantor \_\_\_\_\_ / \_\_\_\_\_ 《guaranty contract》 NO

The mortgagor \_\_\_\_\_ / \_\_\_\_\_ 《Mortgage contract》 NO

The pledger \_\_\_\_\_ / \_\_\_\_\_ 《Pledger contract》 NO

Other guarantee \_\_\_\_\_ / \_\_\_\_\_.

16. Breach of contract liquidated damages. It is equivalent to zero percent of the principal amount borrowed or \_\_\_\_\_ / \_\_\_\_\_.

17. Annexes to this contract include:

(1) 《Application for withdrawal》

(2) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

(3) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

(4) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

(5) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

18. Other matters agreed upon by both parties

\_\_\_\_\_ None/ \_\_\_\_\_.

19. This Contract is made in three originals, one held by the borrower and two held by the lender, each of which has the same legal effect.

(End of Part I)

## **The Part Two General terms**

### **Article 1 borrowing**

1. The Borrower irrevocably agrees and confirms that the Lender has the right to change due to laws, regulations and policies, or to be restricted by the macro-monetary or financial regulatory policies of the government, or to be subject to market conditions. The borrower may suspend, reduce or cancel the loan and notify the borrower if the conditions for granting the loan are adjusted or increased in consideration of its capital position and financial cost, its own business needs, the borrower's performance ability or financial condition, or other major changes occur.

2. The compensation hereunder shall be used in accordance with the loan purposes agreed herein. The Borrower shall not misappropriate or occupy the loan for fixed asset investment, equity investment, etc., or use the loan in fields and purposes prohibited by the state or other activities inconsistent with working capital loan purposes

### **Article 2 borrowing rate and interest calculation method**

1. Unless otherwise agreed herein, the loan interest hereunder shall be calculated and collected in accordance with the actual amount of withdrawal and the number of days occupied by the Lender from the date of loan issuance. Occupied days include the first day, excluding the last day. Daily interest = monthly interest rate /30, monthly interest rate = annual interest rate 12.
2. The Lender has the right to pay the unpaid principal of the loan due to the Borrower (the term "due" in this Contract includes the case where the Lender declares the loan to be due early), and the overdue penalty interest shall be calculated and collected according to the retroactive interest rate agreed herein according to the actual overdue days from the overdue date until the principal and interest of the borrower are paid off
3. If the borrower fails to use the loan funds for the agreed purposes, the lender shall have the right to use the amount of loan box for breach of contract. Since the date of breach, the penalty interest shall be calculated and collected according to the penalty interest rate for misappropriation agreed herein according to the actual days of breach until the borrower pays off the principal and interest.
4. The Lender shall, from the date on which the borrower fails to pay the interest on time (including the normal total interest, overdue penalty interest and misappropriated penalty interest), compound the interest according to the overdue penalty interest rate agreed herein according to the actual overdue days.
5. Interest rate market paralysis

If there is no APPLICABLE LPR (applicable in RMB) or LIBOR/HIBORSIBOR (applicable in foreign currency) interest rate on the quoted date of the relevant interest period after the loan is issued under this Contract, the Borrower shall negotiate with the Lender to determine an alternative interest rate; If no agreement can be reached within five (5) banking business days from the commencement of the negotiation, the borrower shall repay the principal and interest of the loan in full within thirty (30) banking business days from the date of such agreement.

### Article 3 withdrawal

1. before the first withdrawal, the borrower shall meet the following conditions:

(1) submit the withdrawal application (see Annex 1 or annex 2 of the contract for the format), the completed loan (loan) voucher and other relevant documents at the time and in the manner agreed in the contract;

(2) This contract and the corresponding guarantee contract (if any) have been signed and remain valid, and the security right has been effectively established;

(3) Submit the borrower's current valid business license, articles of association and recent financial statements on the withdrawal date (including but not limited to the annual financial report and current statements audited by certified public accountants in the previous year):

(4) Submit the loan resolution made by the borrower's board of directors / shareholders' meeting or other institutions with the same effect, the letter of authorization from the legal representative to the authorized representative and the original signature sample of the legal representative and authorized representative;

(5) The borrower has opened relevant accounts with the lender according to the lender's requirements;

(6) The borrower has performed its obligations under the contract without any event of default under the contract;

(7) Other documents or conditions required by the lender.

2. except for the first withdrawal, the borrower shall meet the following conditions before each withdrawal:

(1) submit the withdrawal application (see Annex 1 or annex 2 of the contract for the format), the completed loan (loan) voucher and other relevant documents at the time and in the manner agreed in the contract;

(2) The representations and warranties made by the borrower under this contract shall remain valid;

(3) The borrower has performed its obligations under the contract without any event of default under the contract;

(4) Other documents or conditions required by the lender.

### 3. withdrawal

(1) the borrower shall make a one-time withdrawal or installment withdrawal in accordance with the withdrawal plan agreed in the contract, and submit a withdrawal application (see Annex 1 or annex 2 of the contract for the format) to the lender three (3) banking days before the expiration of each withdrawal date to go through the withdrawal procedures;

(2) If the borrower needs to postpone or change the withdrawal date, it shall obtain the consent of the lender three (3) banking days before the expiration of the withdrawal date, and the lender has the right to require the borrower to pay the interest loss suffered by the lender (interest loss: the interest of the delayed withdrawal period and the interest of demand deposit in the same period);

(3) If the borrower requests to cancel all or part of the undrawn loan, it shall apply to the lender three (3) banking business days before the determined withdrawal date or the termination date of the withdrawal period, and the cancellation can be carried out only with the consent of the lender;

(4) If the borrower fails to handle the withdrawal procedures within the specified withdrawal date or withdrawal period and fails to apply for postponement of withdrawal, the lender has the right to cancel the undrawn loan:

The lender has the right to waive one or more of the above withdrawal conditions without affecting any right enjoyed by the Lender under this contract

#### Article 4 account opening and management

1 ..When signing this contract, the borrower shall have opened a general settlement account and capital return account (see part I of this contract) at the lender, as well as a special working capital loan account (if any) agreed by both parties. The borrower agrees that the lender shall monitor the aforesaid account of the borrower.

2.If no special working capital loan account is opened, the general settlement account is used to calculate the loan fund issuance and loan fund payment applied by the borrower at the lender.

If a special working capital loan account is opened, the special working capital loan account is used to calculate the loan fund issuance and loan fund payment applied by the borrower at the lender, and the funds in the account bear interest according to the current deposit. The borrower agrees that in addition to the seal reserved by the borrower, the special account for working capital loan shall also reserve the special seal for loan fund payment supervision of the lender.

Without the written consent of the lender, the borrower shall not change the reserved seal of the special working capital loan account at will.

3. The borrower confirms that the fund return account is the income account and repayment reserve account under the contract. The borrower's income cash flow or the borrower's overall cash flow shall be entered into the capital return account.

The borrower guarantees that the capital balance in the borrower's repayment reserve account shall not be less than the amount of principal and interest payable by the borrower in the current period on each principal and interest repayment date under the contract and within three (3) days before it. The borrower agrees that on each principal and interest repayment date and within three (3) days before it, the lender has the right to restrict or refuse the borrower's external payment that will cause the fund balance in the repayment reserve account to be lower than the principal and interest payable in the current period, so as to ensure that the fund balance in the repayment reserve account is sufficient to pay the principal and interest payable in the current period.

The lender has the right to monitor the capital return account. In case of abnormal capital flow in the capital return account, the lender has the right to find out the reasons from the borrower and take corresponding measures.

## Article 5 Payment supervision

1 ..The borrower agrees that the lender has the right to manage and control the payment of the loan funds through the entrusted payment of the lender or / and the independent payment of the borrower, so as to supervise the use of the loan funds according to the purpose agreed in the contract.

Entrusted payment by the lender means that the lender pays the loan funds through the borrower's account to the borrower's trading partner who meets the purpose agreed in this contract according to the borrower's withdrawal application and payment entrustment.

Autonomous payment by the borrower means that after the lender issues the loan funds to the borrower's account according to the borrower's withdrawal application, the borrower will independently pay them to the borrower's trading partner who meets the purpose agreed in the contract.

2.The borrower agrees that if the borrower and the lender have newly established a credit business relationship and the borrower's credit status is general, or the payment object is clear and the single payment amount exceeds the amount agreed in the contract (see part I of the contract), or other circumstances recognized by the lender, the entrusted payment method of the lender shall be adopted.

If the entrusted payment method is adopted, the lender has the right to review whether the payment object, payment amount and other information listed in the payment application provided by the borrower are consistent with the corresponding business contract and other supporting materials according to the loan purpose agreed in the loan contract.

After approval, the lender shall pay the loan funds to the borrower's trading partner through the borrower's account.

3. When applying to the lender for external payment of loan funds, the borrower shall submit supporting materials meeting the lender's requirements, including but not limited to:

(1) documents certifying that the purpose of payment is in accordance with the purpose agreed in the contract:

(2) Business contracts and written documents that truly reflect the borrower's payment obligations. For the expenses that must be paid without signing the contract, the charging policy and standard approved by the competent department shall be provided;

(3) If the corresponding invoices or receipts cannot be obtained at the same time of payment, the borrower shall timely submit the corresponding invoices or receipts for the use of funds after the completion of payment;

(4) Legal and valid payment voucher:

(5) Other documents required by the lender.

The lender has the right to waive one or more of the above supporting materials without affecting any rights enjoyed by the Lender under this contract

4. If the special account for working capital loan is not opened, the borrower shall submit the withdrawal application to the lender three (3) banking days before the proposed withdrawal date (see Annex 1 of the contract for the format), and propose whether to adopt the entrusted payment method of the lender or the independent payment method of the borrower. The borrower confirms that the lender has the right to review whether the relevant information of the borrower meets the payment conditions agreed in the contract, and has the right to decide the payment method of the corresponding loan.

If the special account for working capital loan is opened by the entrusted payment method of the lender, the borrower shall submit the payment application with the reserved seal of the borrower of the special account for working capital loan (see Annex 3 of the contract for the format) to the lender three (3) banking days before the payment date. The lender has the right to review whether the relevant information of the borrower meets the payment conditions agreed in this contract. If the lender approves, it shall stamp the special seal for loan fund payment supervision on the payment voucher before making external payment. If the borrower's independent payment method is adopted, the borrower shall submit the payment application (see Annex 3 of the contract for the format) and relevant materials to the lender three (3) banking days in advance. The lender has the right to review whether the relevant materials submitted by the borrower meet the conditions agreed in the contract. If the lender approves, the borrower shall fill in the payment voucher (the amount of each summary payment voucher shall not exceed the entrusted payment amount of the lender agreed in this contract). After review, the lender shall affix the special seal for loan fund payment supervision on the summary payment voucher, and transfer the corresponding funds to the borrower's general settlement account.

5. If the borrower's autonomous payment method is adopted, the borrower shall regularly summarize and report the autonomous payment of loan funds to the lender every month. The lender has the right to verify whether the borrower's loan payment meets the agreed purpose and payment method through account analysis, voucher inspection, on-site investigation, etc.

6. The borrower confirms that it shall pay to the lender the remittance fee arising from the payment of funds. When the remittance fee occurs, the lender has the right to deduct it directly according to the actual amount.

7. In the process of loan issuance and payment, if any of the following circumstances occurs to the borrower, the lender has the right to require the borrower to supplement the withdrawal conditions and payment conditions, or change the loan payment method and stop the issuance and payment of loan funds:

(1) declining credit status;

(2) The profitability of main business is not strong;

(3) Abnormal use of loan funds.

## Article 6 repayment

1. the borrower shall timely and fully repay the principal, interest and relevant expenses of the loan according to the repayment plan agreed in the contract. The borrower hereby irrevocably authorizes the lender to actively deduct the above amount from its account opened with the lender on the maturity date of the loan or when the conditions agreed in the contract are met to repay the creditor's rights of the lender.

2. If the borrower repays the loan in advance, it shall submit a written application to the lender and obtain the written consent of the lender before the tenth (10th) banking business day before the expected repayment date. Without the prior written consent of the lender, the borrower shall still repay the principal and interest according to the time limit and interest rate agreed in the contract.

The prepayment agreed by the lender shall be deemed as the prepayment of the loan. In this case, the lender also has the right to require the borrower to pay certain liquidated damages in accordance with the contract (see part I of the contract).

In case of early repayment of the loan, the interest shall be calculated according to the actual number of days used by the borrower and returned together with the principal; The principal amount of early repayment shall not be less than the limit agreed in part I of this contract; The principal returned shall be offset against the loan principal in the reverse order of the repayment plan agreed in this contract.

3. If the borrower is unable to repay on schedule for justified reasons, it shall apply to the lender for loan extension before the thirtieth (30th) banking business day of the repayment period agreed in this contract, and prepare necessary materials to go through relevant extension procedures. If the loan under this contract is guaranteed, mortgaged or pledged, the guarantor, mortgagor and Pledgor shall also issue a written consent certificate. The lender shall decide whether to agree to the extension. If the borrower does not apply for extension or the application for extension is not approved by the lender, the loan shall be transferred to the overdue loan from the next day of the maturity date.

4. The borrower shall not withdraw any returned loan funds again.

## Article 7 representations and warranties

The borrower makes the following representations and warranties to the lender, which are made at the time of signing this contract and remain valid during the validity of this contract.

1. The borrower is an enterprise (institution) legal person and other economic organization established in accordance with its applicable law, with independent legal personality, complete financial system and repayment ability, and has the right to conclude and perform this contract according to law.

2. The borrower has the right to sign this contract and has completed all authorizations and approvals of the board of shareholders, the board of directors or other competent authorities required for signing this contract and performing its obligations under this contract. All terms of this contract are the true intention of the borrower and are legally binding on the borrower.

3. The signing and performance of this contract shall not violate the laws that the borrower shall abide by (the laws under this contract include the laws, regulations, rules, local regulations, judicial interpretations, etc., the same below), the relevant documents, judgments and rulings of the competent authorities, nor the articles of association of the borrower or any contract it has signed Conflict with the agreement or any other obligations undertaken.

4. The borrower guarantees that all financial statements (if any) issued by it comply with the provisions of applicable laws and that the statements truly, completely and fairly reflect the financial situation of the borrower.

5. In the process of signing and performing this contract, the borrower abides by the principle of honesty and trustworthiness, and all materials, documents and information (including but not limited to business license, project approval documents, feasibility study report, self raised funds implementation certificate, financial statements, etc.) provided to the lender, including itself and the guarantor, are true, effective and accurate Complete without any concealment or omission.

6. The borrower guarantees to complete the filing, registration or other procedures required for the effectiveness and legal performance of this contract.

7. Since the issuance of the latest audited financial statements, there has been no significant adverse change in the borrower's operating and financial conditions.

8. In business activities, strictly abide by laws and regulations, carry out various businesses in strict accordance with the provisions of the borrower's business license or the business scope approved according to law, go through the registration and annual inspection procedures on time, the production and operation are legal and compliant, have the ability of sustainable operation and have a legal source of repayment.

9. Do not give up any due creditor's rights, nor dispose of the existing main property free of charge or in other inappropriate ways.

10. The borrower has disclosed to the lender what it knows or should know and decided whether to grant the loan under this contract

Important facts and conditions (including but not limited to business status, financial status, external guarantee, etc.).

11. The borrower guarantees that it is in good credit condition and has no major bad record.

12. The borrower guarantees that there are no other circumstances or events that have or may have a material adverse impact on the borrower's performance ability.

#### **Article 8 covenants**

The borrower and the lender agree as follows:

1. The borrower guarantees to operate in accordance with the law, use the loan for the purpose agreed in this contract and not misappropriate it for other purposes. The borrower shall regularly provide various relevant financial and accounting materials, including monthly and annual statements, as required by the lender, and actively cooperate with the loan. The borrower shall supervise the use of the loan and the operation of the borrower. The lender may inspect and supervise the use of the loan in various ways at any time.

2. The borrower shall repay the principal and interest of the loan under the contract according to the time, amount, currency and interest rate specified in the contract, application and loan (loan) certificate.

3. The borrower guarantees that once any event occurs or will occur that is sufficient to have a significant adverse impact on the financial condition of the guarantor or its ability to perform the guarantee obligations, the borrower will timely provide a new guarantee approved by the lender.

4. The borrower promises that the borrower will not take the following actions without the written consent of the lender:

(1) Transfer (including sale, gift, debt repayment, exchange, etc.), mortgage, pledge or otherwise dispose of all or most of its major assets;

(2) Contracting, joint venture, major foreign investment, change of actual controller or major shareholder, shareholding reform, merger (merger), joint venture (cooperation), division, equity transfer, substantial increase of debt financing, establishment of subsidiaries, property right transfer, capital reduction, suspension of business, dissolution, application for bankruptcy Reorganization or cancellation and other acts that may affect the borrower's repayment ability;

(3) Provide the third party with a guarantee sufficient to have a material adverse impact on its financial condition or its ability to perform its obligations under the contract;

(4) Paying off other long-term debts in advance and may have a significant adverse impact on the borrower's ability to perform its obligations under the contract;

(5) Sign contracts / agreements or undertake relevant obligations that have a significant adverse impact on the borrower's ability to perform its obligations under the contract.

5. The borrower promises that when the following events occur, the borrower will immediately notify the lender on the date of the event, and deliver the original of the relevant notice to the lender (with official seal) within five (5) banking days from the date of the event:

(1) the occurrence of relevant events makes the representations and warranties made by the borrower in this contract untrue, inaccurate or invalid.

(2) The borrower or its controlling shareholder, actual controller or its affiliates are involved in litigation, arbitration or its assets are seized, sealed up, frozen, enforced or other measures with the same effect are taken, or its legal representative / person in charge is involved in litigation, arbitration or other coercive measures;

(3) The borrower's legal representative or its authorized agent, principal, main financial principal, mailing address, enterprise name, office space and other matters are changed;

(4) Being applied for reorganization or bankruptcy by other creditors or being revoked by the superior competent authority;(5) other major adverse events that may affect the borrower's solvency.

6. The borrower guarantees that it will not pay off other loans in priority in violation of the normal repayment order, and will not sign any contract or agreement that will subordinate the loan under this contract now and in the future.

7. The borrower shall, as far as possible, repay and pay the principal and interest of the loan under the contract in the same currency. If the borrower repays its debts in different currencies, the borrower shall, or authorize the lender, convert the funds in different currencies into the loan currency under the contract according to the “deduction agreement”. The expenses incurred shall be borne by the borrower. When the guarantor repays the debt on behalf of the borrower in different currencies, the “deduction agreement” from the guarantee contract shall be borne by the borrower.

8. In case of specific circumstances or changes in the guarantee under this contract, the borrower shall timely provide other guarantees approved by the lender as required by the lender. Such specific circumstances or specific changes include but are not limited to the guarantor’s suspension of production, closure of business, dissolution, suspension of business for rectification, revocation or revocation of business license, application or application for reorganization, bankruptcy, major changes in business or financial status, involvement in major litigation or arbitration cases, involvement of legal representatives, directors, supervisors and key business managers. The value of the collateral is reduced or may be reduced, or property preservation measures such as sealing up are taken, there is a breach of contract under the guarantee contract, and it is required to terminate the guarantee contract.

9. The lender has the right to conduct on-site or off-site due diligence on the borrower, and carry out post loan inspection on the borrower’s business status, financial status, external guarantee, use of loan funds and repayment. The borrower is obliged to actively cooperate with the lender in loan payment management, post loan management and relevant inspection.

10. The lender has the right to recover the loan funds under this contract in advance according to the withdrawal of the borrower’s funds.

11. special agreements on group customers (applicable to group customers).

If the borrower of this contract is a group customer, the borrower hereby undertakes:

(1) the borrower shall timely report the related party transactions of more than 10% of the net assets of the actual trustee, including: j the related party relationships of all parties to the transaction k Transaction items and nature l The amount of the transaction or the corresponding proportion m Pricing policy (including transactions with no amount or only symbolic amount).

(2) If the actual trustee has the following circumstances, it shall be deemed that the borrower has breached the contract, and the lender has the right to unilaterally decide to cancel the unused credit of the customer, recover part or all of the used credit, or require the customer to increase the margin to 100%: j providing false materials or concealing important business financial facts k Changing the original purpose of the credit without the consent of the lender, misappropriating the credit or using the bank credit to engage in illegal and illegal transactions l Taking advantage of false contracts with related parties to obtain bank funds or credit by discounting or pledging creditor's rights such as notes receivable and accounts receivable without actual trade background m refusing to accept the lender's supervision and inspection of its use of credit funds and relevant business and financial activities n In case of major merger, acquisition and reorganization, the lender believes that it may affect the credit security o Intentionally evading bank creditor's rights through related party transactions.

12. special guarantees, commitments and agreements on green credit (applicable to borrowers whose construction, production and operation activities of nuclear power plants, large hydropower stations, water conservancy projects, resource extraction projects, etc. may seriously change the original state of the environment and the adverse environmental and social consequences are not easy to eliminate, as well as oil processing, coking and nuclear fuel import workers The construction, production and operation of chemical raw materials and chemical products will produce adverse environmental and social consequences, but it is easy to eliminate them through slow-release measures)

(1) The borrower declares and guarantees that the management of environmental and social risks, including: j the internal management documents related to environmental and social risks comply with the requirements of laws and regulations and are effectively implemented; k there are no major litigation cases involving environmental and social risks;

(2) The borrower promises to accept the supervision of the lender and strengthen environmental and social risk management, including: j commitment to compliance of all behaviors and performances related to environmental and social risks k Commit to establish and improve the internal management system of environmental and social risks, and specify the responsibilities, obligations and punishment measures of relevant responsible personnel of the borrower l Commit to establish and improve the emergency mechanism and measures for environmental and social risk emergencies m Commit to establish special departments and / or designate special personnel to be responsible for environmental and social risks n Promise to cooperate with the lender or its recognized third party in the assessment and inspection of the borrower's environmental and social risks o in the face of strong doubts from the public or other stakeholders about the borrower's performance in controlling environmental and social risks, promise to respond appropriately or take other necessary actions p undertake to urge the borrower's vital related parties to strengthen management and prevent the environmental and social risks of related parties from infecting the borrower q undertake to perform other matters that the lender considers relevant to controlling environmental and social risks

(3) The borrower promises to timely and fully inform the lender of various permits j approvals and approvals related to environmental and social risks in the process of commencement, construction, operation and shutdown k Assessment and inspection of the borrower's environmental and social risks by the environmental and social risk regulatory authority or its recognized institutions l supporting construction and operation of environmental facilities m Discharge and compliance of pollutants n Safety and health of employees o neighboring communities for the borrower Major complaints and protests p Major environmental and social claims q Other lenders believe that it is related to environmental and social risks Skillfully Major information related to insurance;

(4) If the borrower and the actual Credit Lender have the following circumstances, it shall be deemed that the borrower has an event of default under this Contract: j the borrower's statement, guarantee and commitment on environmental and social risk management have not been seriously fulfilled k The borrower is punished by relevant government departments due to poor environmental and social risk management l the borrower is strongly questioned by the public and / or the media due to poor environmental and social risk management m Other events of default related to environmental and social risk management agreed between the lender and the borrower, including cross events of default;

In case of the above events of default of the borrower, the lender has the right to unilaterally decide: j cancel the credit commitment already made k Suspend the disbursement of the loan until the borrower takes rescue measures satisfactory to the lender l recover the allocated loan in advance m When the loan cannot be repaid, relevant mortgage and pledge rights and other punishment measures shall be exercised in advance n other punishment measures agreed by the lender and the borrower.

13. As for the anti money laundering agreement, the borrower confirms and agrees that the lender has the right to conduct money laundering risk assessment on the transactions involved under the contract in accordance with the applicable anti money laundering laws and regulations and internal management requirements, and the lender has reasonable reasons to suspect that the borrower and / or the transactions under the contract are suspected of participating in the UN Security Council, the financial action task force against money laundering, China In case of money laundering, terrorist financing or (weapons of mass destruction) financing activities, or tax evasion recognized by the United States, the European Union and other international organizations or countries, the lender has the right to take necessary control measures in accordance with the anti money laundering regulations of the people's Bank of China. At the same time, the lender has the right to directly restrict and suspend all or part of the business under this contract without notifying the borrower, announce the early maturity of the loan, terminate this contract, and require the borrower to bear all losses caused to the lender.

14. The borrower agrees to irrevocably authorize the lender, without violating the prohibitive provisions of the regulations on the administration of credit investigation industry and relevant laws and regulations, to collect information about all contracts / agreements / commitments signed between the borrower and the lender in accordance with the collection requirements of the basic financial credit information database established by the state, Including the performance information related to all the above contracts / agreements / commitments, as well as the basic enterprise information and other information provided by the borrower, which shall be provided to the basic database of financial credit information established by the state for query and use by qualified units; At the same time, the lender also has the right to query and use the credit information about the borrower in the basic financial credit information database established by the state. The authorization covers all links of the lender's necessary business management of the business under the contract before and after the signing of the contract, and the validity period will expire with the actual termination of the contract.

15. The borrower hereby confirms that it has fully understood and understood the lender's position against its employees seeking benefits in any form by taking advantage of their positions, and undertakes to avoid such situations in accordance with the principle of integrity and fairness, and will not provide any form of rebates, gifts, securities, valuables, various incentives, private expense compensation, private tourism High consumption Entertainment Music and other improper interests.

### Article 9 deduction agreement

1 ..The borrower agrees that when any debt related to the loan hereunder is due and payable, the lender has the right to directly deduct the funds in the repayment reserve account opened by the borrower in Shanghai Pudong Development Bank Co., Ltd. to pay off the due and payable debt. If the funds in the repayment reserve account are insufficient to pay off the debts, the lender has the right to deduct the funds in any other account opened by the borrower in each branch of Shanghai Pudong Development Bank Co., Ltd.

2. The lender has the right to use the proceeds to repay the loan principal, interest or other expenses. If there are multiple claims unpaid at the same time, the lender shall determine the repayment order of the claims.

3. if the deducted income is inconsistent with the currency to be repaid, it shall be handled in the following ways:

(1) if the currency of the loan is RMB, the loan principal strings T and 0 shall be paid off after the foreign exchange settlement is converted into RMB according to the purchase price converted between the currency of the deduction and RMB published by the lender at the time of deduction

(2) If the loan currency is non RMB and the deduction currency is RMB, you shall purchase foreign exchange directly according to the selling price of RMB exchange between the applicable loan currency published by the lender at that time and convert it into the loan currency, and then pay off your past principal and interest.

(3) If the loan currency and the deduction currency are not RMB and are inconsistent, the loan principal and interest shall be paid off after the foreign exchange settlement is converted into RMB according to the applicable deduction currency published by the lender at the time of deduction and the purchase price converted into RMB, and then converted into the loan currency according to the loan currency published by the lender and the selling price converted into RMB on the same day.

### **Article 10 proof of creditor's rights**

The lender shall, in accordance with its consistent business practice, maintain accounting accounts related to the business activities involved in this contract on its accounting books to prove the loan amount of the lender. The effective certificate for the borrower to recognize the loan creditor's rights under this contract shall be subject to the accounting certificate or other effective supporting materials issued and recorded by the lender according to its own business regulations.

### **Article 11 agreed service address**

1. The lender confirms that the address listed on the first page of this contract is its effective service address. The notice sent by the borrower to the lender directly or by mail under this contract shall be sent to the address listed on the first page of this contract until the lender announces the change of this address. The borrower agrees that all notices it sends to the lender shall be deemed to have been served when actually received by the lender.

2. The borrower confirms that the address, fax, e-mail and other service information listed on the first page of this contract are its valid mailing or e-service address. All kinds of non litigation notices and other documents under the contract, as well as letters, subpoenas, notices and other legal documents issued to them in the process of any litigation (including any litigation procedures and execution procedures such as first instance, second instance and retrial) arising from the contract, as long as they are mailed or sent by fax E-mail and other electronic service methods shall be deemed as service when they are sent to the mailing or electronic service address listed on the first page of this contract, and the specific service date shall be subject to the provisions on service date in the civil procedure law. The above change of mailing or electronic service address shall not have legal effect unless notified to the lender in advance, and the service address confirmed in this contract shall still be deemed as a valid service address.

### **Article 12 events of default and handling**

#### 1. Event of default

Any of the following circumstances shall constitute a breach of contract by the borrower against the lender:

(1) Any statement and guarantee made by the borrower in this contract or any notice, authorization, approval, consent, certificate and other documents made in accordance with or related to this contract are incorrect or misleading, or have been proved to be incorrect or misleading, or have been proved to be invalid or revoked or have no legal effect.

(2) The borrower has violated "other matters agreed by both parties" (if any) in part I of the contract or any agreed matter in Article 8 of Part II.

(3) The borrower has a major cross default event, including but not limited to the borrower's breach of any other loan contract and agreement signed by it; Or the borrower fails to pay the debts under other loan contracts and agreements signed by it.

(4) The borrower's investors withdraw funds, transfer assets or transfer equity without authorization.

(5) The guarantor has or will no longer have the ability to provide guarantee corresponding to the loan, or violates the guarantee documents signed by it.

(6) The borrower suspends business, stops production, goes out of business, goes out of business for rectification, reorganization, liquidation, is taken over or entrusted, is dissolved, the business license is revoked or cancelled or goes bankrupt.

(7) The financial condition of the borrower or the guarantor deteriorates, there are serious difficulties in operation, or events or circumstances that have an adverse impact on its normal operation, financial condition or solvency.

(8) The borrower or its controlling shareholder, actual controller or its affiliates are involved in major litigation, arbitration, or its major assets are seized, sealed up, frozen, enforced or other measures with the same effect are taken, or its legal representative / person in charge, directors, supervisors or senior managers are involved in litigation Arbitration or other coercive measures adversely affect the borrower's solvency.

(9) Failure to repay the principal and interest on schedule or use the loan for the agreed purpose.

(10) The loan funds are not paid in the agreed manner.

(11) the documents and information submitted for loan application are false and incorrect.

(12) It does not meet or exceed the constraints of relevant financial indicators agreed in the contract.

(13) On any principal and interest repayment date under the contract and within three (3) days before it, the capital balance in the repayment reserve account is lower than the principal and interest repayment amount of the borrower in the current period.

(14) The capital flow in the general settlement account / capital return account is abnormal.

(15) The borrower has other acts in violation of this contract that are sufficient to hinder the normal performance of this contract, or other acts that damage the legitimate interests of the lender.

## 2. Handling of breach of contract

(1) when one or more of the default circumstances listed in the current paragraph occur, the lender may take one or more of the following measures at its discretion:

j require the borrower to correct within a time limit.

k cancel the unused loan of the borrower and stop issuing and paying the unused loan of the borrower.

l declare that all or part of the loan principal under this contract will expire immediately in advance, and require the immediate repayment of part or all of the loan, the settlement of the interest owed, and the immediate recourse to the guarantor or the borrower in various forms.

m Penalty interest and compound interest shall be charged for overdue loans and misappropriated loans.

n Deduct from any account opened by the borrower in each branch of Shanghai Pudong Development Bank Co., Ltd

o Require the borrower to supplement the loan issuance and payment conditions, or change the loan payment method.

p require the borrower to provide other guarantees approved by the lender.

q other necessary measures stipulated by law.

(2) In addition to the above measures, the lender may also require the borrower to bear the liability for breach of contract and require the borrower to pay liquidated damages (see part I of the contract for the calculation method of liquidated damages). If the liquidated damages are insufficient to make up for the losses suffered by the lender, the borrower shall compensate the lender for all losses suffered thereby.

(3) If the borrower fails to repay the principal and pay interest in full and on time, it shall also bear all expenses paid by the lender for realizing the creditor's rights and security rights, including but not limited to collection expenses, litigation expenses, lawyer's fees, travel expenses and various other expenses payable.

### **Article 13 effectiveness, alteration and dissolution**

1. this contract shall come into force after being signed (or sealed) and affixed with official seal by the legal representative of the borrower or its authorized agent, and signed (or sealed) and affixed with official seal (or special seal for contract) by the legal representative (person in charge) of the lender or its authorized agent, and shall be terminated after all creditor's rights under this contract are paid off.

2. After the contract takes effect, neither party shall change or terminate the contract in advance without authorization. If the contract needs to be changed or terminated, both parties shall reach a written agreement through consultation.

### **Article 14 other provisions**

1 ..definition

(1) "all creditor's rights" under this contract refers to the loan principal, interest, liquidated damages and various expenses incurred to realize the creditor's rights.

(2) The term "interest" under this contract includes interest, penalty interest and compound interest.

(3) The "bank business day" under this contract refers to the normal business day of the lender's corporate business at the lender's domicile, excluding Saturdays, Sundays (except those open for business due to holiday adjustment) or other legal holidays.

## 2. Applicable law

This contract shall be governed by and construed in accordance with the laws of the people's Republic of China (for the purpose of this contract, the laws of Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan are not included here).

## 3. Settlement of disputes

All disputes related to this contract shall be settled through friendly negotiation; If the negotiation fails, a lawsuit shall be filed with the people's Court of the place where the lender has its domicile. During the dispute period, each party shall continue to perform the terms not involved in the dispute.

## 4. Miscellaneous

(1) If matters not covered in this contract need to be supplemented, both parties may agree and record them in part I of this contract, or reach a separate written agreement as an annex to this contract. The annexes to the contract (see part I of the contract) are an integral part of the contract and have the same legal effect as the text of the contract.

(2) During the validity of this contract, the lender's grace or delay in taking action for any breach of contract or other acts of the borrower shall not damage, affect or restrict all rights or interests enjoyed by the lender as a creditor according to the law or this contract, nor shall it be regarded as the lender's recognition of the borrower's breach of this contract, It shall not be deemed that the lender waives the right to take action against the borrower's existing or future default.

(3) The invalidity of one clause of the contract shall not affect the validity of other clauses of the contract. This contract is not valid for any reason

When effective, the borrower shall still bear the responsibility of repaying all debts owed to the Lender under this contract. In case of the above circumstances, the lender has the right to immediately terminate the execution of this contract and recover all debts owed by the borrower under this contract from the borrower immediately.

(4) The lender may transfer all or part of its rights and / or obligations under this contract, and in this case, the transferee shall enjoy and / or bear the same rights and / or obligations as it should enjoy if it is a party to this contract. After receiving the lender's notice on the transfer of creditor's rights, the borrower shall be liable to the transferee in accordance with the provisions of this contract.

(5) Unless otherwise specified in the contract, relevant terms and expressions in the annexes to the contract have the same meanings as those in the contract.

(6) The headings under this contract are for convenience only and shall not be used as the basis for the contents under this heading.

(no text below this page)

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This contract is signed by and between the borrower and the lender on Jun 7, 2021. The borrower confirms that when signing this contract, both parties have explained and discussed all the terms in detail, both parties have no doubt about all the terms of the contract, and have an accurate understanding of the legal meaning of the parties' relevant rights and obligations and liability limitation or exemption terms. annihilation

Borrower(Official seal)

Legal representative or authorized agent (signature or seal)

Lender (Official seal or contract seal)

Legal representative / person in charge (authorized or sealed)

SPD BANK

Contract for Loans of Working Capital

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**Contract for Loans of Working Capital**

Borrower: ChinaLink Professional Services Co., Ltd.

Principal business address : 2nd floor, Building 18, No. 498, GuoShouJing Road, Pudong New Area, Shanghai

The contact : Lisa Wu Tell : 18516502856

Fax : / Email : lisa.wu@clpsglobal.com

Lender : Shanghai Pudong Development Bank Co., LTD. Jinqiao Branch

Principal business address : No.509 Jinqiao Road, Pudong New Area, Shanghai

The contact : Lin Xie Tell : 021-58994702

Whereas;

The borrower applies to the lender for working capital loan due to capital turnover needs; Upon review, the Lender agrees to release the loan in accordance with the terms and conditions of this Contract. In order to clarify the rights and obligations of both parties, both parties hereby enter into this Contract for compliance with the relevant laws, regulations and rules of the People's Republic of China through mutual agreement.

At the same time, the borrower and the lender confirm the following principal terms (please select in the box below according to the situation, tick X if not selected);

This contract, as the number of a/financing bottle degree of agreement (hereinafter referred to as the credit line agreement) affiliated with the financing documents signed, this contract comes into force, all its terms and conditions are incorporated into the financing credit agreement, and as a part of (if the borrower have previously signed the melt line agreement, should choose the project, and indicate the credit line agreement number);

R This contract is an independent credit document signed between the borrower and the lender (this item should be selected if the borrower and the lender have not signed the financing line agreement);

The guarantor has been informed that the purpose of the loan under this contract is to repay the loan under the original contract name: \_\_\_Date of signing: \_\_\_ No: \_\_\_.(Select this item if the purpose of borrowing is to repay the old or renew the loan)

#### The Part One Commercial terms

1. Types of Loans: R Short-term working capital loans;  mid-term liquidity loan,
2. loan amount under this contract is RMB(currency) 10 million
3. the specific use of loan under this contract as follows: Pay social security.
4. the time limit for the loan under this contract (in the following box, please, don't choose to play x)

R since March 25, 2021 to March 24, 2022.

From the date of first withdrawal \_\_\_\_\_ year (or \_\_\_\_\_months)

The actual withdrawal date and repayment date shall be the date recorded on the ious (loan certificate) issued by the lender and the borrower. The last repayment date shall not exceed the loan term agreed herein. The loan (loan certificate) is an integral part of this contract.

5 . The interest rate of the loan under this Contract is (please tick V in the box below and x if not)

(1) the RMB loans Interest Rate :

Each loan under this Contract shall be issued according to the loan market quoted APR (term) -1 BPS published by The National Inter-Bank Lending Center at the end of the day prior to the actual date of loan issuance. If the calculated interest rate is less than 0%, it shall be implemented as 0%. (The quoted market interest rate is the annual interest rate, which can be found through the National Inter-bank Lending Center and the website of the People's Bank of China)

After each loan is issued, if the quoted interest rate of the loan market is adjusted during the loan term, the loan interest rate (please put a in the box below and x in case of non-I):

R Fixed interest rate without adjustment;

Since interest rates adjust interest rates to adjust interest rates before a complex day by day the national interbank funding center published in this article the contract term loan market quotation rate (LPR) as the base, the way of fixed interest rate floating point and calculating constant, specific interest rates adjust below (please v is selected in the following box, does not escape the x) :

The interest rate is adjusted by year, and the interest rate adjustment day is the corresponding day of the actual loan issuing date in the corresponding month of the next Gregorian calendar year. If there is no corresponding day of the actual loan issuing date in the corresponding month of the next Gregorian calendar year, the interest rate adjustment day is the last day of the actual loan issuing date in the corresponding month of the next Gregorian calendar year:

Adjust the interest rate according to year, the interest rate adjustment date is January 1 of each year ;

Adjust the interest rate according to the interest settlement date, and the interest rate adjustment day is the next day of the interest settlement date ;

Quarterly adjustment of interest rate, interest rate adjustment day for the end of each quarter on a monthly basis, ;

interest rate adjustment day for a monthly/daily

other agreement (specific interest rate adjustment day),

(2) interest rate of foreign currency loan;

each loan under this Contract will be issued \_\_\_at the rate of \_\_\_(LIBORAHIBORSIBOR) published by the Lender on the date of disbursement plus/BPS.

After each loan under this joint venture is issued, the loan interest rate shall be adjusted by \_\_\_.

Fixed rate, that is, the interest rate is not adjusted.

6. The method of loan settlement under this Contract is (please check the box below/tick X if not selected):

On a monthly basis, the settlement date is the second +(20) day of each month;

R Quarterly, then the settlement date is the twentieth (20th) day of the last month of each quarter:

Other methods:

And each repayment interest under this contract is clear with this.

7. Penalty interest rate under the Contract is:

(1) This overdue penalty interest rate shall be applied at the loan execution rate applicable on the date of penalty interest collection plus 30 %.

(2) If the loan is not used in accordance with the purpose agreed herein, the penalty interest rate will be calculated and the loan execution interest rate applied on the penalty interest date shall be charged plus 50%.

8. The drawdown period of the loan under the Contract is from March 25, 2021 to March 31, 2021. The first withdrawal shall be made before March 31, 2021

9. The withdrawal plan for the loan under this Contract is as follows (please select/ in the box below, tick X if you do not select)

the withdrawal plan is shown in the table below :

<u>NO</u>	<u>The withdrawal date</u>	<u>On withdrawals</u>
1	March 25, 2021	10million

Other withdrawal plans: \_\_\_\_\_.

10. The repayment plan of the loan under this Contract is as follows (Please tick R in the box below, if not, tick x)

NO	Repayment date	Reimbursement amount
1	2022	10million

11. Liquidated damages for loan repayment in advance; Equivalent to 0% or RMB(currency) 0 the actual amount of loan repaid in advance

12. The principal amount of loan repayment in advance shall not be less than RMB( currency) 0

13. Account opening (select one of the following modes for RMB loans, select the special account mode for foreign currency loans, and mark X for those not selected)

R Unsegregated account mode :

(1) The general settlement account opened by the borrower with the lender is:

Bank : Shanghai Pudong Development Bank Co., LTD. Jinqiao Branch

Bank account name : ChinaLink Professional Services Co., Ltd.

Bank account number:98840078801600002917

(2) the borrower's fund recovery account opened with the lender is:

Bank : Shanghai Pudong Development Bank Co., LTD. Jinqiao Branch

Bank account name : ChinaLink Professional Services Co., Ltd.

Bank account number:98840078801600002917

Special Account mode

(1) The special account for working capital loan opened by the borrower with the lender is:

Bank : \_\_\_\_\_ / \_\_\_\_\_.

Bank account name : \_\_\_\_\_ / \_\_\_\_\_.

Bank account number: \_\_\_\_\_ / \_\_\_\_\_.

(2) The general settlement account opened by the borrower with the lender is:

Bank : \_\_\_\_\_ / \_\_\_\_\_.

Bank account name : \_\_\_\_\_ / \_\_\_\_\_.

Bank account number: \_\_\_\_\_ / \_\_\_\_\_.

(3) The Borrower's fund recovery account opened with the Lender is:

Bank : \_\_\_\_\_ / \_\_\_\_\_.

Bank account name : \_\_\_\_\_ / \_\_\_\_\_.

Bank account number: \_\_\_\_\_ / \_\_\_\_\_.

14. Entrusted Payment by the Lender: if the payment object is clear and the single managed payment amount exceeds (currency amount) \_\_\_\_\_ the loan fund payment, the entrusted payment method of the Lender shall be

15. The guarantors and security contracts providing security for the debt hereunder include but are not limited to :

The guarantor \_\_\_\_\_ / \_\_\_\_\_ 《guaranty contract》 NO

The mortgagor \_\_\_\_\_ / \_\_\_\_\_ 《Mortgage contract》 NO

The pledger \_\_\_\_\_ / \_\_\_\_\_ 《Pledger contract》 NO

Other guarantee \_\_\_\_\_ / \_\_\_\_\_.

16. Breach of contract liquidated damages. It is equivalent to zero percent of the principal amount borrowed or \_\_\_\_\_ / \_\_\_\_\_.

17. Annexes to this contract include:

(1) 《Application for withdrawal》

(2) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

(3) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

(4) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

(5) 《 \_\_\_\_\_ / \_\_\_\_\_ 》

18. Other matters agreed upon by both parties

\_\_\_\_\_ None/ \_\_\_\_\_.

19. This Contract is made in three originals, one held by the borrower and two held by the lender, each of which has the same legal effect.

(End of Part I)

## **The Part Two General terms**

### **Article 1 borrowing**

1. The Borrower irrevocably agrees and confirms that the Lender has the right to change due to laws, regulations and policies, or to be restricted by the macro-monetary or financial regulatory policies of the government, or to be subject to market conditions. The borrower may suspend, reduce or cancel the loan and notify the borrower if the conditions for granting the loan are adjusted or increased in consideration of its capital position and financial cost, its own business needs, the borrower's performance ability or financial condition, or other major changes occur.

2. The compensation hereunder shall be used in accordance with the loan purposes agreed herein. The Borrower shall not misappropriate or occupy the loan for fixed asset investment, equity investment, etc., or use the loan in fields and purposes prohibited by the state or other activities inconsistent with working capital loan purposes

### **Article 2 borrowing rate and interest calculation method**

1. Unless otherwise agreed herein, the loan interest hereunder shall be calculated and collected in accordance with the actual amount of withdrawal and the number of days occupied by the Lender from the date of loan issuance. Occupied days include the first day, excluding the last day. Daily interest = monthly interest rate /30, monthly interest rate = annual interest rate 12.
2. The Lender has the right to pay the unpaid principal of the loan due to the Borrower (the term "due" in this Contract includes the case where the Lender declares the loan to be due early), and the overdue penalty interest shall be calculated and collected according to the retroactive interest rate agreed herein according to the actual overdue days from the overdue date until the principal and interest of the borrower are paid off
3. If the borrower fails to use the loan funds for the agreed purposes, the lender shall have the right to use the amount of loan box for breach of contract. Since the date of breach, the penalty interest shall be calculated and collected according to the penalty interest rate for misappropriation agreed herein according to the actual days of breach until the borrower pays off the principal and interest.
4. The Lender shall, from the date on which the borrower fails to pay the interest on time (including the normal total interest, overdue penalty interest and misappropriated penalty interest), compound the interest according to the overdue penalty interest rate agreed herein according to the actual overdue days.
5. Interest rate market paralysis

If there is no APPLICABLE LPR (applicable in RMB) or LIBOR/HIBORSIBOR (applicable in foreign currency) interest rate on the quoted date of the relevant interest period after the loan is issued under this Contract, the Borrower shall negotiate with the Lender to determine an alternative interest rate; If no agreement can be reached within five (5) banking business days from the commencement of the negotiation, the borrower shall repay the principal and interest of the loan in full within thirty (30) banking business days from the date of such agreement.

### Article 3 withdrawal

1. before the first withdrawal, the borrower shall meet the following conditions:

(1) submit the withdrawal application (see Annex 1 or annex 2 of the contract for the format), the completed loan (loan) voucher and other relevant documents at the time and in the manner agreed in the contract;

(2) This contract and the corresponding guarantee contract (if any) have been signed and remain valid, and the security right has been effectively established;

(3) Submit the borrower's current valid business license, articles of association and recent financial statements on the withdrawal date (including but not limited to the annual financial report and current statements audited by certified public accountants in the previous year):

(4) Submit the loan resolution made by the borrower's board of directors / shareholders' meeting or other institutions with the same effect, the letter of authorization from the legal representative to the authorized representative and the original signature sample of the legal representative and authorized representative;

(5) The borrower has opened relevant accounts with the lender according to the lender's requirements;

(6) The borrower has performed its obligations under the contract without any event of default under the contract;

(7) Other documents or conditions required by the lender.

2. except for the first withdrawal, the borrower shall meet the following conditions before each withdrawal:

(1) submit the withdrawal application (see Annex 1 or annex 2 of the contract for the format), the completed loan (loan) voucher and other relevant documents at the time and in the manner agreed in the contract;

(2) The representations and warranties made by the borrower under this contract shall remain valid;

(3) The borrower has performed its obligations under the contract without any event of default under the contract;

(4) Other documents or conditions required by the lender.

### 3. withdrawal

(1) the borrower shall make a one-time withdrawal or installment withdrawal in accordance with the withdrawal plan agreed in the contract, and submit a withdrawal application (see Annex 1 or annex 2 of the contract for the format) to the lender three (3) banking days before the expiration of each withdrawal date to go through the withdrawal procedures;

(2) If the borrower needs to postpone or change the withdrawal date, it shall obtain the consent of the lender three (3) banking days before the expiration of the withdrawal date, and the lender has the right to require the borrower to pay the interest loss suffered by the lender (interest loss: the interest of the delayed withdrawal period and the interest of demand deposit in the same period);

(3) If the borrower requests to cancel all or part of the undrawn loan, it shall apply to the lender three (3) banking business days before the determined withdrawal date or the termination date of the withdrawal period, and the cancellation can be carried out only with the consent of the lender;

(4) If the borrower fails to handle the withdrawal procedures within the specified withdrawal date or withdrawal period and fails to apply for postponement of withdrawal, the lender has the right to cancel the undrawn loan:

The lender has the right to waive one or more of the above withdrawal conditions without affecting any right enjoyed by the Lender under this contract

#### Article 4 account opening and management

1 ..When signing this contract, the borrower shall have opened a general settlement account and capital return account (see part I of this contract) at the lender, as well as a special working capital loan account (if any) agreed by both parties. The borrower agrees that the lender shall monitor the aforesaid account of the borrower.

2.If no special working capital loan account is opened, the general settlement account is used to calculate the loan fund issuance and loan fund payment applied by the borrower at the lender.

If a special working capital loan account is opened, the special working capital loan account is used to calculate the loan fund issuance and loan fund payment applied by the borrower at the lender, and the funds in the account bear interest according to the current deposit. The borrower agrees that in addition to the seal reserved by the borrower, the special account for working capital loan shall also reserve the special seal for loan fund payment supervision of the lender.

Without the written consent of the lender, the borrower shall not change the reserved seal of the special working capital loan account at will.

3. The borrower confirms that the fund return account is the income account and repayment reserve account under the contract. The borrower's income cash flow or the borrower's overall cash flow shall be entered into the capital return account.

The borrower guarantees that the capital balance in the borrower's repayment reserve account shall not be less than the amount of principal and interest payable by the borrower in the current period on each principal and interest repayment date under the contract and within three (3) days before it. The borrower agrees that on each principal and interest repayment date and within three (3) days before it, the lender has the right to restrict or refuse the borrower's external payment that will cause the fund balance in the repayment reserve account to be lower than the principal and interest payable in the current period, so as to ensure that the fund balance in the repayment reserve account is sufficient to pay the principal and interest payable in the current period.

The lender has the right to monitor the capital return account. In case of abnormal capital flow in the capital return account, the lender has the right to find out the reasons from the borrower and take corresponding measures.

## Article 5 Payment supervision

1 ..The borrower agrees that the lender has the right to manage and control the payment of the loan funds through the entrusted payment of the lender or / and the independent payment of the borrower, so as to supervise the use of the loan funds according to the purpose agreed in the contract.

Entrusted payment by the lender means that the lender pays the loan funds through the borrower's account to the borrower's trading partner who meets the purpose agreed in this contract according to the borrower's withdrawal application and payment entrustment.

Autonomous payment by the borrower means that after the lender issues the loan funds to the borrower's account according to the borrower's withdrawal application, the borrower will independently pay them to the borrower's trading partner who meets the purpose agreed in the contract.

2.The borrower agrees that if the borrower and the lender have newly established a credit business relationship and the borrower's credit status is general, or the payment object is clear and the single payment amount exceeds the amount agreed in the contract (see part I of the contract), or other circumstances recognized by the lender, the entrusted payment method of the lender shall be adopted.

If the entrusted payment method is adopted, the lender has the right to review whether the payment object, payment amount and other information listed in the payment application provided by the borrower are consistent with the corresponding business contract and other supporting materials according to the loan purpose agreed in the loan contract.

After approval, the lender shall pay the loan funds to the borrower's trading partner through the borrower's account.

3. When applying to the lender for external payment of loan funds, the borrower shall submit supporting materials meeting the lender's requirements, including but not limited to:

(1) documents certifying that the purpose of payment is in accordance with the purpose agreed in the contract:

(2) Business contracts and written documents that truly reflect the borrower's payment obligations. For the expenses that must be paid without signing the contract, the charging policy and standard approved by the competent department shall be provided;

(3) If the corresponding invoices or receipts cannot be obtained at the same time of payment, the borrower shall timely submit the corresponding invoices or receipts for the use of funds after the completion of payment;

(4) Legal and valid payment voucher:

(5) Other documents required by the lender.

The lender has the right to waive one or more of the above supporting materials without affecting any rights enjoyed by the Lender under this contract

4. If the special account for working capital loan is not opened, the borrower shall submit the withdrawal application to the lender three (3) banking days before the proposed withdrawal date (see Annex 1 of the contract for the format), and propose whether to adopt the entrusted payment method of the lender or the independent payment method of the borrower. The borrower confirms that the lender has the right to review whether the relevant information of the borrower meets the payment conditions agreed in the contract, and has the right to decide the payment method of the corresponding loan.

If the special account for working capital loan is opened by the entrusted payment method of the lender, the borrower shall submit the payment application with the reserved seal of the borrower of the special account for working capital loan (see Annex 3 of the contract for the format) to the lender three (3) banking days before the payment date. The lender has the right to review whether the relevant information of the borrower meets the payment conditions agreed in this contract. If the lender approves, it shall stamp the special seal for loan fund payment supervision on the payment voucher before making external payment. If the borrower's independent payment method is adopted, the borrower shall submit the payment application (see Annex 3 of the contract for the format) and relevant materials to the lender three (3) banking days in advance. The lender has the right to review whether the relevant materials submitted by the borrower meet the conditions agreed in the contract. If the lender approves, the borrower shall fill in the payment voucher (the amount of each summary payment voucher shall not exceed the entrusted payment amount of the lender agreed in this contract). After review, the lender shall affix the special seal for loan fund payment supervision on the summary payment voucher, and transfer the corresponding funds to the borrower's general settlement account.

5. If the borrower's autonomous payment method is adopted, the borrower shall regularly summarize and report the autonomous payment of loan funds to the lender every month. The lender has the right to verify whether the borrower's loan payment meets the agreed purpose and payment method through account analysis, voucher inspection, on-site investigation, etc.

6. The borrower confirms that it shall pay to the lender the remittance fee arising from the payment of funds. When the remittance fee occurs, the lender has the right to deduct it directly according to the actual amount.

7. In the process of loan issuance and payment, if any of the following circumstances occurs to the borrower, the lender has the right to require the borrower to supplement the withdrawal conditions and payment conditions, or change the loan payment method and stop the issuance and payment of loan funds:

(1) declining credit status;

(2) The profitability of main business is not strong;

(3) Abnormal use of loan funds.

## Article 6 repayment

1. the borrower shall timely and fully repay the principal, interest and relevant expenses of the loan according to the repayment plan agreed in the contract. The borrower hereby irrevocably authorizes the lender to actively deduct the above amount from its account opened with the lender on the maturity date of the loan or when the conditions agreed in the contract are met to repay the creditor's rights of the lender.

2. If the borrower repays the loan in advance, it shall submit a written application to the lender and obtain the written consent of the lender before the tenth (10th) banking business day before the expected repayment date. Without the prior written consent of the lender, the borrower shall still repay the principal and interest according to the time limit and interest rate agreed in the contract.

The prepayment agreed by the lender shall be deemed as the prepayment of the loan. In this case, the lender also has the right to require the borrower to pay certain liquidated damages in accordance with the contract (see part I of the contract).

In case of early repayment of the loan, the interest shall be calculated according to the actual number of days used by the borrower and returned together with the principal; The principal amount of early repayment shall not be less than the limit agreed in part I of this contract; The principal returned shall be offset against the loan principal in the reverse order of the repayment plan agreed in this contract.

3. If the borrower is unable to repay on schedule for justified reasons, it shall apply to the lender for loan extension before the thirtieth (30th) banking business day of the repayment period agreed in this contract, and prepare necessary materials to go through relevant extension procedures. If the loan under this contract is guaranteed, mortgaged or pledged, the guarantor, mortgagor and Pledgor shall also issue a written consent certificate. The lender shall decide whether to agree to the extension. If the borrower does not apply for extension or the application for extension is not approved by the lender, the loan shall be transferred to the overdue loan from the next day of the maturity date.

4. The borrower shall not withdraw any returned loan funds again.

## Article 7 representations and warranties

The borrower makes the following representations and warranties to the lender, which are made at the time of signing this contract and remain valid during the validity of this contract.

1. The borrower is an enterprise (institution) legal person and other economic organization established in accordance with its applicable law, with independent legal personality, complete financial system and repayment ability, and has the right to conclude and perform this contract according to law.

2. The borrower has the right to sign this contract and has completed all authorizations and approvals of the board of shareholders, the board of directors or other competent authorities required for signing this contract and performing its obligations under this contract. All terms of this contract are the true intention of the borrower and are legally binding on the borrower.

3. The signing and performance of this contract shall not violate the laws that the borrower shall abide by (the laws under this contract include the laws, regulations, rules, local regulations, judicial interpretations, etc., the same below), the relevant documents, judgments and rulings of the competent authorities, nor the articles of association of the borrower or any contract it has signed Conflict with the agreement or any other obligations undertaken.

4. The borrower guarantees that all financial statements (if any) issued by it comply with the provisions of applicable laws and that the statements truly, completely and fairly reflect the financial situation of the borrower.

5. In the process of signing and performing this contract, the borrower abides by the principle of honesty and trustworthiness, and all materials, documents and information (including but not limited to business license, project approval documents, feasibility study report, self raised funds implementation certificate, financial statements, etc.) provided to the lender, including itself and the guarantor, are true, effective and accurate Complete without any concealment or omission.

6. The borrower guarantees to complete the filing, registration or other procedures required for the effectiveness and legal performance of this contract.

7. Since the issuance of the latest audited financial statements, there has been no significant adverse change in the borrower's operating and financial conditions.

8. In business activities, strictly abide by laws and regulations, carry out various businesses in strict accordance with the provisions of the borrower's business license or the business scope approved according to law, go through the registration and annual inspection procedures on time, the production and operation are legal and compliant, have the ability of sustainable operation and have a legal source of repayment.

9. Do not give up any due creditor's rights, nor dispose of the existing main property free of charge or in other inappropriate ways.

10. The borrower has disclosed to the lender what it knows or should know and decided whether to grant the loan under this contract

Important facts and conditions (including but not limited to business status, financial status, external guarantee, etc.).

11. The borrower guarantees that it is in good credit condition and has no major bad record.

12. The borrower guarantees that there are no other circumstances or events that have or may have a material adverse impact on the borrower's performance ability.

#### **Article 8 covenants**

The borrower and the lender agree as follows:

1. The borrower guarantees to operate in accordance with the law, use the loan for the purpose agreed in this contract and not misappropriate it for other purposes. The borrower shall regularly provide various relevant financial and accounting materials, including monthly and annual statements, as required by the lender, and actively cooperate with the loan. The borrower shall supervise the use of the loan and the operation of the borrower. The lender may inspect and supervise the use of the loan in various ways at any time.

2. The borrower shall repay the principal and interest of the loan under the contract according to the time, amount, currency and interest rate specified in the contract, application and loan (loan) certificate.

3. The borrower guarantees that once any event occurs or will occur that is sufficient to have a significant adverse impact on the financial condition of the guarantor or its ability to perform the guarantee obligations, the borrower will timely provide a new guarantee approved by the lender.

4. The borrower promises that the borrower will not take the following actions without the written consent of the lender:

(1) Transfer (including sale, gift, debt repayment, exchange, etc.), mortgage, pledge or otherwise dispose of all or most of its major assets;

(2) Contracting, joint venture, major foreign investment, change of actual controller or major shareholder, shareholding reform, merger (merger), joint venture (cooperation), division, equity transfer, substantial increase of debt financing, establishment of subsidiaries, property right transfer, capital reduction, suspension of business, dissolution, application for bankruptcy Reorganization or cancellation and other acts that may affect the borrower's repayment ability;

(3) Provide the third party with a guarantee sufficient to have a material adverse impact on its financial condition or its ability to perform its obligations under the contract;

(4) Paying off other long-term debts in advance and may have a significant adverse impact on the borrower's ability to perform its obligations under the contract;

(5) Sign contracts / agreements or undertake relevant obligations that have a significant adverse impact on the borrower's ability to perform its obligations under the contract.

5. The borrower promises that when the following events occur, the borrower will immediately notify the lender on the date of the event, and deliver the original of the relevant notice to the lender (with official seal) within five (5) banking days from the date of the event:

(1) the occurrence of relevant events makes the representations and warranties made by the borrower in this contract untrue, inaccurate or invalid.

(2) The borrower or its controlling shareholder, actual controller or its affiliates are involved in litigation, arbitration or its assets are seized, sealed up, frozen, enforced or other measures with the same effect are taken, or its legal representative / person in charge is involved in litigation, arbitration or other coercive measures;

(3) The borrower's legal representative or its authorized agent, principal, main financial principal, mailing address, enterprise name, office space and other matters are changed;

(4) Being applied for reorganization or bankruptcy by other creditors or being revoked by the superior competent authority;(5) other major adverse events that may affect the borrower's solvency.

6. The borrower guarantees that it will not pay off other loans in priority in violation of the normal repayment order, and will not sign any contract or agreement that will subordinate the loan under this contract now and in the future.

7. The borrower shall, as far as possible, repay and pay the principal and interest of the loan under the contract in the same currency. If the borrower repays its debts in different currencies, the borrower shall, or authorize the lender, convert the funds in different currencies into the loan currency under the contract according to the “deduction agreement”. The expenses incurred shall be borne by the borrower. When the guarantor repays the debt on behalf of the borrower in different currencies, the “deduction agreement” from the guarantee contract shall be borne by the borrower.

8. In case of specific circumstances or changes in the guarantee under this contract, the borrower shall timely provide other guarantees approved by the lender as required by the lender. Such specific circumstances or specific changes include but are not limited to the guarantor’s suspension of production, closure of business, dissolution, suspension of business for rectification, revocation or revocation of business license, application or application for reorganization, bankruptcy, major changes in business or financial status, involvement in major litigation or arbitration cases, involvement of legal representatives, directors, supervisors and key business managers. The value of the collateral is reduced or may be reduced, or property preservation measures such as sealing up are taken, there is a breach of contract under the guarantee contract, and it is required to terminate the guarantee contract.

9. The lender has the right to conduct on-site or off-site due diligence on the borrower, and carry out post loan inspection on the borrower’s business status, financial status, external guarantee, use of loan funds and repayment. The borrower is obliged to actively cooperate with the lender in loan payment management, post loan management and relevant inspection.

10. The lender has the right to recover the loan funds under this contract in advance according to the withdrawal of the borrower’s funds.

11. special agreements on group customers (applicable to group customers).

If the borrower of this contract is a group customer, the borrower hereby undertakes:

(1) the borrower shall timely report the related party transactions of more than 10% of the net assets of the actual trustee, including: j the related party relationships of all parties to the transaction k Transaction items and nature l The amount of the transaction or the corresponding proportion m Pricing policy (including transactions with no amount or only symbolic amount).

(2) If the actual trustee has the following circumstances, it shall be deemed that the borrower has breached the contract, and the lender has the right to unilaterally decide to cancel the unused credit of the customer, recover part or all of the used credit, or require the customer to increase the margin to 100%: j providing false materials or concealing important business financial facts k Changing the original purpose of the credit without the consent of the lender, misappropriating the credit or using the bank credit to engage in illegal and illegal transactions l Taking advantage of false contracts with related parties to obtain bank funds or credit by discounting or pledging creditor's rights such as notes receivable and accounts receivable without actual trade background m refusing to accept the lender's supervision and inspection of its use of credit funds and relevant business and financial activities n In case of major merger, acquisition and reorganization, the lender believes that it may affect the credit security o Intentionally evading bank creditor's rights through related party transactions.

12. special guarantees, commitments and agreements on green credit (applicable to borrowers whose construction, production and operation activities of nuclear power plants, large hydropower stations, water conservancy projects, resource extraction projects, etc. may seriously change the original state of the environment and the adverse environmental and social consequences are not easy to eliminate, as well as oil processing, coking and nuclear fuel import workers The construction, production and operation of chemical raw materials and chemical products will produce adverse environmental and social consequences, but it is easy to eliminate them through slow-release measures)

(1) The borrower declares and guarantees that the management of environmental and social risks, including: j the internal management documents related to environmental and social risks comply with the requirements of laws and regulations and are effectively implemented; k there are no major litigation cases involving environmental and social risks;

(2) The borrower promises to accept the supervision of the lender and strengthen environmental and social risk management, including: j commitment to compliance of all behaviors and performances related to environmental and social risks k Commit to establish and improve the internal management system of environmental and social risks, and specify the responsibilities, obligations and punishment measures of relevant responsible personnel of the borrower l Commit to establish and improve the emergency mechanism and measures for environmental and social risk emergencies m Commit to establish special departments and / or designate special personnel to be responsible for environmental and social risks n Promise to cooperate with the lender or its recognized third party in the assessment and inspection of the borrower's environmental and social risks o in the face of strong doubts from the public or other stakeholders about the borrower's performance in controlling environmental and social risks, promise to respond appropriately or take other necessary actions p undertake to urge the borrower's vital related parties to strengthen management and prevent the environmental and social risks of related parties from infecting the borrower q undertake to perform other matters that the lender considers relevant to controlling environmental and social risks

(3) The borrower promises to timely and fully inform the lender of various permits j approvals and approvals related to environmental and social risks in the process of commencement, construction, operation and shutdown k Assessment and inspection of the borrower's environmental and social risks by the environmental and social risk regulatory authority or its recognized institutions l supporting construction and operation of environmental facilities m Discharge and compliance of pollutants n Safety and health of employees o neighboring communities for the borrower Major complaints and protests p Major environmental and social claims q Other lenders believe that it is related to environmental and social risks Skillfully Major information related to insurance;

(4) If the borrower and the actual Credit Lender have the following circumstances, it shall be deemed that the borrower has an event of default under this Contract: j the borrower's statement, guarantee and commitment on environmental and social risk management have not been seriously fulfilled k The borrower is punished by relevant government departments due to poor environmental and social risk management l the borrower is strongly questioned by the public and / or the media due to poor environmental and social risk management m Other events of default related to environmental and social risk management agreed between the lender and the borrower, including cross events of default;

In case of the above events of default of the borrower, the lender has the right to unilaterally decide: j cancel the credit commitment already made k Suspend the disbursement of the loan until the borrower takes rescue measures satisfactory to the lender l recover the allocated loan in advance m When the loan cannot be repaid, relevant mortgage and pledge rights and other punishment measures shall be exercised in advance n other punishment measures agreed by the lender and the borrower.

13. As for the anti money laundering agreement, the borrower confirms and agrees that the lender has the right to conduct money laundering risk assessment on the transactions involved under the contract in accordance with the applicable anti money laundering laws and regulations and internal management requirements, and the lender has reasonable reasons to suspect that the borrower and / or the transactions under the contract are suspected of participating in the UN Security Council, the financial action task force against money laundering, China In case of money laundering, terrorist financing or (weapons of mass destruction) financing activities, or tax evasion recognized by the United States, the European Union and other international organizations or countries, the lender has the right to take necessary control measures in accordance with the anti money laundering regulations of the people's Bank of China. At the same time, the lender has the right to directly restrict and suspend all or part of the business under this contract without notifying the borrower, announce the early maturity of the loan, terminate this contract, and require the borrower to bear all losses caused to the lender.

14. The borrower agrees to irrevocably authorize the lender, without violating the prohibitive provisions of the regulations on the administration of credit investigation industry and relevant laws and regulations, to collect information about all contracts / agreements / commitments signed between the borrower and the lender in accordance with the collection requirements of the basic financial credit information database established by the state, Including the performance information related to all the above contracts / agreements / commitments, as well as the basic enterprise information and other information provided by the borrower, which shall be provided to the basic database of financial credit information established by the state for query and use by qualified units; At the same time, the lender also has the right to query and use the credit information about the borrower in the basic financial credit information database established by the state. The authorization covers all links of the lender's necessary business management of the business under the contract before and after the signing of the contract, and the validity period will expire with the actual termination of the contract.

15. The borrower hereby confirms that it has fully understood and understood the lender's position against its employees seeking benefits in any form by taking advantage of their positions, and undertakes to avoid such situations in accordance with the principle of integrity and fairness, and will not provide any form of rebates, gifts, securities, valuables, various incentives, private expense compensation, private tourism High consumption Entertainment Music and other improper interests.

### Article 9 deduction agreement

1 ..The borrower agrees that when any debt related to the loan hereunder is due and payable, the lender has the right to directly deduct the funds in the repayment reserve account opened by the borrower in Shanghai Pudong Development Bank Co., Ltd. to pay off the due and payable debt. If the funds in the repayment reserve account are insufficient to pay off the debts, the lender has the right to deduct the funds in any other account opened by the borrower in each branch of Shanghai Pudong Development Bank Co., Ltd.

2. The lender has the right to use the proceeds to repay the loan principal, interest or other expenses. If there are multiple claims unpaid at the same time, the lender shall determine the repayment order of the claims.

3. if the deducted income is inconsistent with the currency to be repaid, it shall be handled in the following ways:

(1) if the currency of the loan is RMB, the loan principal strings T and 0 shall be paid off after the foreign exchange settlement is converted into RMB according to the purchase price converted between the currency of the deduction and RMB published by the lender at the time of deduction

(2) If the loan currency is non RMB and the deduction currency is RMB, you shall purchase foreign exchange directly according to the selling price of RMB exchange between the applicable loan currency published by the lender at that time and convert it into the loan currency, and then pay off your past principal and interest.

(3) If the loan currency and the deduction currency are not RMB and are inconsistent, the loan principal and interest shall be paid off after the foreign exchange settlement is converted into RMB according to the applicable deduction currency published by the lender at the time of deduction and the purchase price converted into RMB, and then converted into the loan currency according to the loan currency published by the lender and the selling price converted into RMB on the same day.

### **Article 10 proof of creditor's rights**

The lender shall, in accordance with its consistent business practice, maintain accounting accounts related to the business activities involved in this contract on its accounting books to prove the loan amount of the lender. The effective certificate for the borrower to recognize the loan creditor's rights under this contract shall be subject to the accounting certificate or other effective supporting materials issued and recorded by the lender according to its own business regulations.

### **Article 11 agreed service address**

1. The lender confirms that the address listed on the first page of this contract is its effective service address. The notice sent by the borrower to the lender directly or by mail under this contract shall be sent to the address listed on the first page of this contract until the lender announces the change of this address. The borrower agrees that all notices it sends to the lender shall be deemed to have been served when actually received by the lender.

2. The borrower confirms that the address, fax, e-mail and other service information listed on the first page of this contract are its valid mailing or e-service address. All kinds of non litigation notices and other documents under the contract, as well as letters, subpoenas, notices and other legal documents issued to them in the process of any litigation (including any litigation procedures and execution procedures such as first instance, second instance and retrial) arising from the contract, as long as they are mailed or sent by fax E-mail and other electronic service methods shall be deemed as service when they are sent to the mailing or electronic service address listed on the first page of this contract, and the specific service date shall be subject to the provisions on service date in the civil procedure law. The above change of mailing or electronic service address shall not have legal effect unless notified to the lender in advance, and the service address confirmed in this contract shall still be deemed as a valid service address.

### **Article 12 events of default and handling**

#### 1. Event of default

Any of the following circumstances shall constitute a breach of contract by the borrower against the lender:

(1) Any statement and guarantee made by the borrower in this contract or any notice, authorization, approval, consent, certificate and other documents made in accordance with or related to this contract are incorrect or misleading, or have been proved to be incorrect or misleading, or have been proved to be invalid or revoked or have no legal effect.

(2) The borrower has violated "other matters agreed by both parties" (if any) in part I of the contract or any agreed matter in Article 8 of Part II.

(3) The borrower has a major cross default event, including but not limited to the borrower's breach of any other loan contract and agreement signed by it; Or the borrower fails to pay the debts under other loan contracts and agreements signed by it.

(4) The borrower's investors withdraw funds, transfer assets or transfer equity without authorization.

(5) The guarantor has or will no longer have the ability to provide guarantee corresponding to the loan, or violates the guarantee documents signed by it.

(6) The borrower suspends business, stops production, goes out of business, goes out of business for rectification, reorganization, liquidation, is taken over or entrusted, is dissolved, the business license is revoked or cancelled or goes bankrupt.

(7) The financial condition of the borrower or the guarantor deteriorates, there are serious difficulties in operation, or events or circumstances that have an adverse impact on its normal operation, financial condition or solvency.

(8) The borrower or its controlling shareholder, actual controller or its affiliates are involved in major litigation, arbitration, or its major assets are seized, sealed up, frozen, enforced or other measures with the same effect are taken, or its legal representative / person in charge, directors, supervisors or senior managers are involved in litigation Arbitration or other coercive measures adversely affect the borrower's solvency.

(9) Failure to repay the principal and interest on schedule or use the loan for the agreed purpose.

(10) The loan funds are not paid in the agreed manner.

(11) the documents and information submitted for loan application are false and incorrect.

(12) It does not meet or exceed the constraints of relevant financial indicators agreed in the contract.

(13) On any principal and interest repayment date under the contract and within three (3) days before it, the capital balance in the repayment reserve account is lower than the principal and interest repayment amount of the borrower in the current period.

(14) The capital flow in the general settlement account / capital return account is abnormal.

(15) The borrower has other acts in violation of this contract that are sufficient to hinder the normal performance of this contract, or other acts that damage the legitimate interests of the lender.

## 2. Handling of breach of contract

(1) when one or more of the default circumstances listed in the current paragraph occur, the lender may take one or more of the following measures at its discretion:

j require the borrower to correct within a time limit.

k cancel the unused loan of the borrower and stop issuing and paying the unused loan of the borrower.

l declare that all or part of the loan principal under this contract will expire immediately in advance, and require the immediate repayment of part or all of the loan, the settlement of the interest owed, and the immediate recourse to the guarantor or the borrower in various forms.

m Penalty interest and compound interest shall be charged for overdue loans and misappropriated loans.

n Deduct from any account opened by the borrower in each branch of Shanghai Pudong Development Bank Co., Ltd

o Require the borrower to supplement the loan issuance and payment conditions, or change the loan payment method.

p require the borrower to provide other guarantees approved by the lender.

q other necessary measures stipulated by law.

(2) In addition to the above measures, the lender may also require the borrower to bear the liability for breach of contract and require the borrower to pay liquidated damages (see part I of the contract for the calculation method of liquidated damages). If the liquidated damages are insufficient to make up for the losses suffered by the lender, the borrower shall compensate the lender for all losses suffered thereby.

(3) If the borrower fails to repay the principal and pay interest in full and on time, it shall also bear all expenses paid by the lender for realizing the creditor's rights and security rights, including but not limited to collection expenses, litigation expenses, lawyer's fees, travel expenses and various other expenses payable.

#### **Article 13 effectiveness, alteration and dissolution**

1. this contract shall come into force after being signed (or sealed) and affixed with official seal by the legal representative of the borrower or its authorized agent, and signed (or sealed) and affixed with official seal (or special seal for contract) by the legal representative (person in charge) of the lender or its authorized agent, and shall be terminated after all creditor's rights under this contract are paid off.

2. After the contract takes effect, neither party shall change or terminate the contract in advance without authorization. If the contract needs to be changed or terminated, both parties shall reach a written agreement through consultation.

#### **Article 14 other provisions**

1 ..definition

(1) "all creditor's rights" under this contract refers to the loan principal, interest, liquidated damages and various expenses incurred to realize the creditor's rights.

(2) The term "interest" under this contract includes interest, penalty interest and compound interest.

(3) The "bank business day" under this contract refers to the normal business day of the lender's corporate business at the lender's domicile, excluding Saturdays, Sundays (except those open for business due to holiday adjustment) or other legal holidays.

## 2. Applicable law

This contract shall be governed by and construed in accordance with the laws of the people's Republic of China (for the purpose of this contract, the laws of Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan are not included here).

## 3. Settlement of disputes

All disputes related to this contract shall be settled through friendly negotiation; If the negotiation fails, a lawsuit shall be filed with the people's Court of the place where the lender has its domicile. During the dispute period, each party shall continue to perform the terms not involved in the dispute.

## 4. Miscellaneous

(1) If matters not covered in this contract need to be supplemented, both parties may agree and record them in part I of this contract, or reach a separate written agreement as an annex to this contract. The annexes to the contract (see part I of the contract) are an integral part of the contract and have the same legal effect as the text of the contract.

(2) During the validity of this contract, the lender's grace or delay in taking action for any breach of contract or other acts of the borrower shall not damage, affect or restrict all rights or interests enjoyed by the lender as a creditor according to the law or this contract, nor shall it be regarded as the lender's recognition of the borrower's breach of this contract, It shall not be deemed that the lender waives the right to take action against the borrower's existing or future default.

(3) The invalidity of one clause of the contract shall not affect the validity of other clauses of the contract. This contract is not valid for any reason

When effective, the borrower shall still bear the responsibility of repaying all debts owed to the Lender under this contract. In case of the above circumstances, the lender has the right to immediately terminate the execution of this contract and recover all debts owed by the borrower under this contract from the borrower immediately.

(4) The lender may transfer all or part of its rights and / or obligations under this contract, and in this case, the transferee shall enjoy and / or bear the same rights and / or obligations as it should enjoy if it is a party to this contract. After receiving the lender's notice on the transfer of creditor's rights, the borrower shall be liable to the transferee in accordance with the provisions of this contract.

(5) Unless otherwise specified in the contract, relevant terms and expressions in the annexes to the contract have the same meanings as those in the contract.

(6) The headings under this contract are for convenience only and shall not be used as the basis for the contents under this heading.

(no text below this page)

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This contract is signed by and between the borrower and the lender on March 25, 2021. The borrower confirms that when signing this contract, both parties have explained and discussed all the terms in detail, both parties have no doubt about all the terms of the contract, and have an accurate understanding of the legal meaning of the parties' relevant rights and obligations and liability limitation or exemption terms. annihilation

Borrower(Official seal)

Legal representative or authorized agent (signature or seal)

Lender (Official seal or contract seal)

Legal representative / person in charge (authorized or sealed)

# contract for loans of working capital

Bank of Communications Co., Ltd

NO: Z2106LN15654078  
contract for loans of working capital

## Important tips

The borrower is requested to carefully read the full text of this contract, especially the clauses marked with ▲ ▲ . In case of any doubt, please timely submit it to the lender for explanation.

In view of the borrower's application for working capital loan line from the lender, in order to clarify the rights and obligations of both parties, the borrower and the lender hereby enter into this contract through consultation.

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## Article 1 Definitions

“Line” refers to the maximum amount of the loan balance (under the revolving line) or total loan (under the one-time line) that the lender may issue to the borrower according to the contract. According to the contract, the line can be a revolving line or a one-time line (only used once or multiple times).

“Revolving credit line” means that the borrower can apply for the use of the credit line multiple times in accordance with the contract to obtain the loan, but the loan balance cannot exceed the agreed credit line.

“One time limit” means that the borrower can apply for the use limit one time or multiple times to obtain the loan according to the contract, but the total amount of the loan withdrawn shall not exceed the agreed limit.

“Loan balance” refers to the sum of the principal amount of the loan obtained and outstanding by the borrower under this contract.

“Line balance” refers to the amount of the line after deducting the loan balance (under the revolving line) or the total loan (under the one-time line).

“Credit period” refers to the period during which the lender grants loans to the borrower according to the application of the borrower and the contract, which belongs to the occurrence period of the loan rather than the loan period.

“Loan term” refers to the term of each loan determined by both parties in the corresponding application for use of loan line of Bank of Communications (hereinafter referred to as “application for use of loan line”).

“Loan market quotation rate (LPR)” refers to the quotation rate of loan market issued by the national interbank lending center on the 20th of each month (postponed in case of holidays).

“Bank working day” and “working day” refer to the open business day of the bank’s corporate business in the place where the lender is located, excluding legal holidays and rest days (except for business due to holiday adjustment). If the loan date, repayment date, interest payment date, maturity date and other obligation performance dates meet non bank working days, they shall be postponed to the next bank working day accordingly.

Related parties, related party transactions, major investors and individuals have the same meaning as the same words in the accounting standards for Business Enterprises No. 36 - disclosure of related parties (CK [2006] No. 3) issued by the Ministry of Finance and the subsequent amendments to the standards.

#### Article 2 use of quota

2.1 when the borrower needs to use the line, it shall apply to the lender at least 5 banking days in advance. When applying, the application form for the use of credit line shall be filled in and can be used only after being reviewed and approved by the lender.

▲ ▲ 2.2 Each use of the quota is subject to meeting all the following conditions:

- (1) The loan balance (under the revolving credit line) or the total loan amount (under the one-time credit line) does not exceed the credit line;
- (2) The amount of the loan applied for shall not exceed the balance of the quota;
- (3) The use application date and loan granting date are within the credit period;
- (4) The loan term and maturity date of the loan shall comply with the provisions of this contract;
- (5) The guarantee contract (if any) under this contract has become effective and continues to be valid. If the guarantee contract is a mortgage contract and / or pledge contract, the security interest has been established and continues to be valid;
- (6) The borrower has completed the government permission, approval, registration and other formalities that must be handled according to law when applying for loan and required by the lender, and such permission, approval or registration is continuously valid;

(7) After the effectiveness of this contract, there has been no significant adverse change in the borrower's operating and financial conditions;

(8) The borrower's application complies with the requirements of the lender's relevant rules and regulations;

(9) The borrower has not violated the contract;

(10) The payment method of the loan complies with the provisions of this contract. If the entrusted payment is adopted by the lender, the lender agrees to pay;

(11) For foreign currency loans, the borrower has provided documents proving that the loan complies with relevant foreign exchange management policies, including but not limited to valid certificates or registration documents for foreign exchange purposes;

(12) The borrower has designated a special fund return account and signed an account management agreement as required by the lender.

▲ ▲ 2.3 If the lender agrees to grant the loan, the final loan information shall be subject to the contents in the bank print column of the application for use of line 《The application for quota use is used as the loan voucher.

▲ ▲ 2.4 If the currency of the quota application is inconsistent with the currency of the quota, it shall be converted according to the exchange rate at the beginning of each day published by Bank of Communications Co., Ltd. for the purpose of determining the quota balance only. If there is no directly applicable exchange rate, it shall be converted by bank of Communications Co., Ltd. according to the exchange rate determined in a reasonable way.

▲ ▲ 2.5 After the borrower becomes the shareholder of the guarantor or the "actual controller" as defined in the company law, the lender has the right to suspend or cancel the unused loan line of the borrower before the guarantor provides the resolution of its shareholders' meeting (shareholders' meeting) on agreeing to provide guarantee for the borrower accepted by the lender.

Article 3 interest rate and calculation and payment of interest

3.1 Basic rules for determining interest rates

3.1.1 The loan interest rate under this contract is calculated based on the loan market quotation interest rate (LPR) as the pricing benchmark and according to the loan market quotation interest rate (LPR) plus (minus) points (1 basis point is 0.01%, 1 percentage point is 100 basis points). The interest rate shall be agreed in the application for quota use after negotiation between both parties at each use.

If both parties agree to apply fixed interest rate in the quota use application, if the specific value is recorded in the fixed interest rate value field, the specific interest rate of each loan shall be subject to the value recorded in the fixed interest rate value field in the quota use application, These specific values are determined on the basis of the specific value of the loan market quotation interest rate (LPR) applicable to the applicable date of the pricing benchmark agreed in the quota use application (hereinafter referred to as "LPR value") and according to the plus (minus) point value agreed in the quota use application. If no specific value is recorded in the fixed interest rate value field, the specific interest rate of each loan is determined based on the LPR value applicable to the applicable date of the pricing benchmark agreed in the quota use application and according to the plus (minus) point value agreed in the quota use application.

If both parties agree on the applicable floating interest rate in the application for quota use, the specific interest rate of each loan shall be based on the LPR value applicable to the applicable date of the pricing benchmark agreed in the application for quota use, according to the plus (minus) point value, interest rate floating rules, interest rate floating cycle The unit of interest rate floating cycle and the floating start date of specific date (if necessary) shall be determined.

3.1.2 If the currency is RMB, daily interest rate = monthly interest rate / 30, monthly interest rate = annual interest rate / 12; If the currency is Hong Kong dollar, British pound and Australian dollar, the daily interest rate = annual interest rate / 365; If the currencies are USD, euro, Japanese yen and other foreign currencies accepted by the lender, the daily interest rate = annual interest rate / 360.

▲ ▲ 3.2 lending rate

The loan interest rate at the time of each loan is determined based on the applicable LPR value of the “applicable date of pricing benchmark” agreed in the corresponding quota use application, and according to the plus (minus) point value agreed in the quota use application. Take “applicable date of pricing benchmark” as t day, and the applicable LPR value on t day is the latest published loan market quotation interest rate (LPR) value before t day.

3.3 Adjustment of interest rate

3.3.1 If the application for the use of credit line is recorded as a fixed interest rate, the interest rate recorded in the loan shall be implemented within the loan term.

▲ ▲ 3.3.2 if the application for use of quota records a floating interest rate, the loan interest rate adjustment date shall be determined according to the interest rate floating rules, interest rate floating cycle, interest rate floating cycle unit and specific date floating start date (if necessary) agreed in the application for use of quota, and the adjusted interest rate shall apply from the loan interest rate adjustment date.

3.3.2.1 If the quoted interest rate (LPR) of the loan market is adjusted during the loan period, the period of loan interest rate adjustment shall be calculated from the “loan entry date” or “specific start date” selected in the “interest rate floating rules”. The empty column of interest rate floating cycle is filled in the number of interest rate floating cycles. The interest rate floating cycle unit can be selected by day or by month. If “1” is filled in the number of interest rate floating cycles and “by day” is selected as the floating cycle unit, the loan interest rate adjustment date is the loan market quoted interest rate (LPR) adjustment date; If “3” is filled in the number of interest rate floating cycles and “by day” is selected as the floating cycle unit, the loan interest rate adjustment date is the day every 3 days from the “loan entry date” or “specific date floating start date”; If “1” is filled in the number of interest rate floating cycles and “by month” is selected as the floating cycle unit, the loan interest rate adjustment date is every month from the “loan entry date” or “specific date floating start date”; If “3” is filled in the number of interest rate floating cycles and “by month” is selected as the floating cycle unit, the loan interest rate adjustment date is every 3 months from the “loan entry date” or “floating start date of specific date”, and so on.

3.3.2.2 The loan interest rate on the loan interest rate adjustment date shall be determined on the basis of the LPR value applicable on the loan interest rate adjustment date, and the increase (decrease) point value of the interest rate shall remain unchanged (except for the increase (decrease) point value adjusted by both parties through consultation). Take “loan interest rate adjustment date” as t date, and the applicable LPR value on t date is the latest published loan market quotation interest rate (LPR) value before t date.

▲ ▲ 3.3.3 If the market quoted interest rate (LPR) of the loan is cancelled according to the regulatory requirements or the corresponding issuing institution stops issuing according to the regulatory requirements, the two parties shall negotiate and adjust the loan interest rate separately, but the adjusted interest rate shall not be lower than the then applicable interest rate; If both parties fail to reach an agreement on the adjusted interest rate more than 1 month since the date when the loan market quoted interest rate (LPR) is cancelled or stopped issuing, the lender has the right to announce the early maturity of the loan.

(3.3.4) the two parties can adjust the value of plus or minus of the corresponding loan interest rate after each loan interest rate is adjusted by the Nikkei consensus.

3.4 If the loan currency is RMB, the penalty interest rate of overdue loan shall rise by 50% according to the interest rate agreed in the contract, and the penalty interest rate of misappropriated loan shall rise by 100% according to the interest rate agreed in the contract. If the quoted interest rate (LPR) of the floating rate loan is adjusted, the lender has the right to adjust the penalty interest rate applicable to each loan accordingly, and the new penalty interest rate shall apply from the date of adjustment of the loan interest rate agreed in the corresponding quota use application.

### 3.5 Calculation of interest

3.5.1 Normal interest = interest rate agreed in the contract×Loan amount×Occupied days.

The number of occupied days is calculated from the lending date (inclusive) to the maturity date (exclusive). When the maturity date is a non working day, it shall be postponed. The extended period shall be included in the number of occupied days, and the interest shall still be calculated according to the contract.

3.5.2 The penalty interest of overdue loans and misappropriated loans shall be calculated according to the amount overdue or misappropriated and the actual number of days (from the date of overdue or misappropriation (inclusive) to the date of principal and interest repayment (exclusive)).

3.5.3 If the calculated interest / penalty interest has a large number of decimal places, the lender will retain two decimal places according to the rounding method.

▲ ▲ 3.6 if the borrower repays in advance or the lender recovers the loan in advance according to the contract, the corresponding interest rate grade will not be adjusted, but the interest rate agreed in the contract will still be implemented.

3.7 If the loan currency is foreign currency, the determination of interest rate, adjustment of interest rate, penalty interest rate for overdue and misappropriation of loans shall be subject to the provisions of Article 17 of the contract.

#### Article 4 payment of loans

4.1 If the loan granting account designated by the borrower is a special loan granting account opened at the lender, the loan granting and payment shall be handled through this account. This account is only used for the issuance and external payment of loan funds. It only sells "settlement business application" vouchers. It cannot handle checks, bills of exchange, bank acceptance bills and other businesses, and cannot be used for other settlement. When the borrower pays and handles the loan fund allocation independently, it must be handled at the counter of the account opening outlet. The deposit interest of the account shall be included in the borrower's repayment account.

4.2 When the borrower withdraws the loan according to the contract, it shall specify the payment method (entrusted payment by the lender or independent payment by the borrower), and only one payment method can be used for each withdrawal.

4.3 The lender's entrusted payment refers to the lender's direct payment of the loan funds to the borrower's counterparty for the purpose agreed in this contract through the borrower's account after issuing the loan according to the borrower's entrusted payment power of attorney.

If the amount of a single payment exceeds the autonomous payment limit or meets one of the conditions agreed in article 19.3, the entrusted payment method of loan shall be adopted.

If the entrusted payment is adopted by the lender, the borrower shall submit the application for the use of the line, the corresponding entrusted payment power of attorney and other materials required by the lender (including but not limited to business contracts, invoices, receipt documents and other transaction materials), specify the amount of the loan and the object and amount of payment, and the amount of the loan shall be equal to the total amount of payment.

▲ ▲ if the payment proposed by the borrower does not comply with the provisions of this contract or the corresponding business contract or has other defects, the lender has the right to refuse the payment and return the entrusted payment power of attorney submitted by the borrower.

▲ ▲ if the lender agrees to pay, if the external payment cannot be made or the payment refund occurs due to the error of the information provided by the borrower, the borrower shall resubmit the relevant documents and materials containing the correct information within the time limit specified by the lender. Therefore, the lender shall not be liable for the delay or failure of payment.

4.4 The borrower's independent payment means that after the lender issues the loan funds to the borrower's account according to the contract, the borrower shall independently pay them to the borrower's counterparty for the purpose agreed in the contract.

If the borrower pays independently, the borrower shall submit the application for the use of the line, the instructions for the use of funds and other materials required by the lender to the lender. The borrower shall summarize and report the payment of loan funds to the lender on time. The lender has the right to verify whether the loan payment meets the agreed purpose through account analysis, voucher inspection, on-site investigation, etc., and the borrower must cooperate with the lender in the verification.

Article 5 repayment of loans

5.1 The borrower shall repay according to the repayment date and amount recorded in the corresponding application for use of credit line.

▲ ▲ 5.2 the borrower cannot repay the loan in advance without the written consent of the lender.

▲ ▲ 5.3 the repayment arrangement of principal and interest agreed by the borrower and the lender in the application for the use of line is the true expression of intention reached by both parties on a voluntary basis after negotiation. Under the repayment arrangement selected by both parties, whether the principal is repaid before the interest does not affect the borrower's repayment responsibility for the interest payable, and the borrower shall not raise a defense against the repayment of the interest payable. Under any repayment arrangement, the borrower shall be liable for repayment of all principal and interest payable.

▲ ▲ 5.4 when the borrower's repayment (including the borrower's active repayment and the lender's deduction in accordance with the contract) fails to pay off all the borrower's debts in full:

(1) It shall first be used to pay off the overdue expenses. If the principal and interest are overdue for less than 90 days, the balance after offsetting the expenses shall be used to offset the due and unpaid interest, penalty interest and compound interest, and then used to offset the due and unpaid principal; If the principal or interest is overdue for more than 90 days, the balance after offsetting the expenses shall be used to offset the due and unpaid principal first, and then to offset the due and unpaid interest, penalty interest and compound interest;

(2) The borrower has several debts (including the borrower's debts to the Lender under other contracts), and the lender has the right to determine the repayment and offset order of each debt of the borrower at its own discretion, as long as the offset order does not violate the mandatory provisions of applicable laws, regulations, rules and relevant regulatory requirements of the lender. The lender shall notify the borrower of the result of debt repayment. Unless otherwise agreed by both parties.

Article 6 representations and warranties of the borrower

6.1 The borrower is legally established and exists, has all necessary rights and capabilities, and can perform its obligations under this contract and bear civil liabilities in its own name.

6.2 The signing and performance of this contract is the true expression of intention of the borrower, and has been subject to all necessary consent, approval and authorization, without any legal defects.

6.3 The borrower's production and operation are legal and compliant, has the ability of sustainable operation, has legal repayment sources, does not involve major environmental and social risks, and has no major bad credit record. The senior management of the borrower has no bad record.

6.4 All documents, statements, materials and information provided by the borrower to the lender in the process of signing and performing this contract are true, accurate, complete and effective, do not conceal any information that may affect its financial status and repayment ability from the lender, and the financial status of the borrower has not changed significantly since the date of the latest financial statement report.

▲ ▲ 6.5 neither the borrower nor its affiliates are enterprises or individuals in the sanctions list of the United Nations, the European Union or the United States and the list of risks related to terrorism and anti money laundering issued by Chinese government departments or competent authorities; It is not located in countries and regions sanctioned by the United Nations, the European Union or the United States.

▲ ▲ 6.6 the borrower guarantees to comply with the national anti money laundering laws, regulations and relevant policies, not to engage in assisting others in money laundering, terrorist financing, tax evasion, evasion of bank debt, cash withdrawal, telecommunications fraud, illegal fund-raising and other illegal activities, and actively cooperate with the lender in customer identification, transaction record preservation, customer identity and transaction background due diligence Large sum and suspicious transaction reports and other anti money laundering work, and provide relevant supporting materials as required by the lender.

#### Article 7 rights and obligations of the Lender

7.1 The lender has the right to recover the loan principal and interest (including compound interest, penalty interest for overdue and misappropriated loans, etc.) in accordance with the contract, collect the fees payable by the borrower, decide to recover the loan in advance according to the return of the borrower's funds, and exercise other rights stipulated by law or the contract.

▲ ▲ 7.2 during the performance of this contract, the lender will only conduct formal review on the materials provided by the borrower. If the lender fails to complete the entrusted payment in time due to the untrue, inaccurate or incomplete materials provided by the borrower or the borrower's payment in violation of the contract, the lender shall not be liable.

▲ ▲ 7.3 the lender shall issue loans and handle payment in accordance with the contract. If the lender fails to issue the loan or handle the payment on time due to any of the following reasons, the lender shall not be liable, but will timely notify the borrower: the loan account designated by the borrower is frozen, the account of the payment object is frozen, force majeure, communication or network failure, Lender system failure, etc. Unless otherwise agreed in the contract.

Article 8 obligations of the borrower

8.1 The borrower shall repay the loan principal under this contract and pay interest according to the time, amount, currency and interest rate recorded in this contract and the corresponding quota use application.

The fund return account designated by the borrower is used to collect the corresponding sales revenue or planned repayment funds. If the corresponding sales revenue is settled in non cash, the borrower shall ensure that the funds are transferred to the fund return account in time after receiving the funds. The borrower shall provide the capital in and out of the capital return account as required by the lender.

8.2 The borrower shall use the loan according to the purpose agreed in the contract and the purpose determined in the corresponding application for the use of the loan, shall not misappropriate the loan for other purposes, and shall not use the loan for fixed asset investment, equity investment and fields and purposes prohibited by the state.

The borrower shall use the loan funds in the agreed manner, and shall not evade the entrusted payment of the lender by breaking up the whole into parts; If the borrower pays independently, the borrower shall use the loan within a reasonable time according to the requirements of the lender's regulatory authority, and the payment of loan funds shall comply with the provisions of this contract.

▲ ▲ 8.3 the borrower shall bear the settlement expenses (if any) for the payment of loan funds (including entrusted payment by the lender and independent payment by the borrower). The specific charges shall be implemented in accordance with laws, regulations, rules, regulatory provisions and the then effective service charge list of Bank of Communications published by the lender.

The lending account is a special loan issuing account. When the loan funds are paid (including the entrusted payment of the lender and the independent payment of the borrower), if the collection account does not belong to the account opened in the Bank of communications, the fund payment may be handled through the payment system of the people's Bank of China or the local exchange system.

If the lending account is not a special loan issuing account, when the loan funds are paid (including the entrusted payment of the lender and the independent payment of the borrower), if the collection account is an account of another bank in another place, the fund payment shall be handled through the payment system of the people's Bank of China.

▲ ▲ 8.4 the borrower shall cooperate with the lender in the management of loan payment and the supervision and inspection of loan use and the borrower's operation, and timely provide the financial statements, loan fund use records and materials, transaction information of related parties and related parties, environmental and social risk reports, other materials and information required by the lender for post loan risk management, And ensure that the documents, materials and information provided are true, complete and accurate.

▲ ▲ 8.5 the borrower shall notify the lender in writing at least 30 days in advance of any of the following matters, and shall not take action before paying off all loan principal and interest under the contract or providing repayment scheme and guarantee approved by the lender:

(1) Sell, gift, lease, lend, transfer, mortgage, pledge or otherwise dispose of all or most of the assets or important assets;

(2) Major changes have taken place in the business system or property right organization form, including but not limited to the implementation of contracting, leasing, joint venture, corporate transformation, joint-stock cooperative transformation, enterprise sale, merger (merger), joint venture (cooperation), division, establishment of subsidiaries, equity transfer, property right transfer, capital reduction, etc.

(3) Foreign investment or increased debt financing exceeds the agreed limit.

▲ ▲ 8.6 the borrower shall notify the lender in writing within 7 days from the date of occurrence or possible occurrence of the following events:

(1) The borrower or its affiliates modify the articles of association, change the business registration items such as enterprise name, legal representative (person in charge), domicile, mailing address or business scope, or make decisions that have a significant impact on finance and personnel;

(2) The borrower, its affiliates or guarantors intend to apply for bankruptcy or may or has been applied for bankruptcy by creditors;

(3) The borrower or its affiliates are involved in major litigation, arbitration and administrative measures, or property preservation or other coercive measures are taken for the main assets or the collateral under the contract, or the safety and integrity of the main assets or the collateral under the contract are or may be affected, or the value is reduced or may be reduced;

(4) The borrower or its affiliates provide guarantee for the third party, which has a significant adverse impact on its economic status, financial status or ability to perform its obligations under the contract;

(5) The borrower or its affiliates sign contracts that have a significant impact on its operation and financial status;

(6) The borrower pays off the undue debts in advance or gives priority to other due debts, adds mortgage and pledge for other existing debts, or makes any arrangement with similar effect or signs relevant documents;

(7) The borrower, its affiliates or guarantors stop production, close down, dissolve, close down for rectification, are revoked or their business licenses are revoked;

(8) The disappearance of the borrower or its affiliates, the main individual investors of the borrower or its affiliates, the legal representative (person in charge), directors or key management personnel of the borrower or its affiliates, involving violations of laws and regulations or violation of applicable exchange rules or abnormal changes;

(9) Serious difficulties in the operation of the borrower or its affiliates, or deterioration of its financial condition, or other events that have a negative impact on the operation, financial condition, solvency or economic condition of the borrower or its affiliates;

(10) Related party transactions occur, and the transaction amount reaches or exceeds 10% of the latest audited net assets;

(11) Before paying off all debts under this contract, the borrower becomes or may become the shareholder of the guarantor or the “actual controller” as defined in the company law;

(12) The borrower or its affiliates cause liability accidents or are exposed by the media due to violation of laws and regulations, regulatory provisions, national policies or industrial standards;

(13) Safety or environmental protection accidents of the borrower or its affiliates;

(14) Changes in the control or controlled relationship between the borrower&apos;s related parties and the borrower;

(15) Significant equity changes of the borrower or related parties;

(16) The audit opinion of the borrower&apos;s external auditor on its financial statements is not a standard unqualified opinion;

(17) The borrower is or may be investigated, punished or taken other similar measures by the competent authorities for violating laws, regulations and / or regulatory requirements;

(18) The borrower or its affiliates are included in the sanctions list of the United Nations, the European Union or the United States, as well as the list of risks related to terrorism and anti money laundering issued by Chinese government departments or competent authorities; Or its country and region are included in the list of sanctions countries and regions such as the United Nations, the European Union or the United States;

(19) Other major adverse events affecting the solvency of the borrower or its affiliates occur.

▲ ▲ 8.7 when the guarantee under this contract changes against the creditor&apos;s rights of the lender, the borrower shall timely provide other guarantees approved by the lender as required by the lender.

The “change” mentioned in this paragraph includes but is not limited to: the guarantor merges, splits, stops production, goes out of business, dissolves, goes out of business for rectification, is revoked, the business license is revoked, applies for or is applied for bankruptcy; The operation or financial status of the guarantor has changed significantly; The guarantor is involved in major litigation, arbitration, administrative measures, or property preservation or other coercive measures have been taken for its main assets; The security and integrity of the collateral is or may be affected; The value of the collateral decreases or may decrease, or compulsory measures such as seizure and property preservation are taken; The guarantor or its legal representative (principal) or key management personnel are involved in violation of laws and regulations or the applicable exchange rules; If the guarantor is an individual, the guarantor is missing or dead (declared dead);The guarantor is in breach of contract under the guarantee contract; Disputes between the guarantor and the borrower; The guarantor requests to terminate the guarantee contract; The guarantee contract is not effective, invalid or revoked; The security interest is not established or invalid; Or other events affecting the safety of the creditor&apos;s rights of the lender.

▲ ▲ 8.8 the borrower promises that from the date of signing this contract to the completion of all loan principal, interest and related expenses under this contract, the borrower&apos;s financial indicators, external agency rating and production and operation qualification / license always comply with the contract. If the production and operation qualification / license needs annual review, it shall pass the annual review on time.

8.9 The borrower guarantees that the borrower, the borrower's staff and agents will not provide, give, demand or receive any form of material benefits (including but not limited to cash, physical cards, tourism, etc.) or other non-material benefits to the lender or the lender's staff in any form; Not use the funds or services provided by the lender directly or indirectly in any form for activities related to corruption or bribery; If the borrower is aware of any violation of this article, it shall timely, truthfully, completely and accurately provide clues and relevant information to the lender, and cooperate with relevant matters as required by the lender.

▲ ▲ Article 9 adjustment of credit limit, early maturity of loan and risk repricing

9.1 Any of the following events shall be deemed as the "early expiration event" of the contract:

- (1) The borrower fails to repay the loan principal or pay interest as agreed in any application for quota use under this contract;
- (2) The representations and warranties made by the borrower under this contract are untrue;
- (3) Any event listed in article 8.6 to be notified actually occurs, affecting or possibly affecting the safety of the creditor's rights of the lender;
- (4) Due to changes in laws, regulations and regulatory policies, the lender's granting of loans in accordance with the contract constitutes or may constitute violation of laws or regulations;
- (5) When performing other contracts with the lender or contracts with a third party, the borrower may have breached the contract or the debt may have been declared to be due ahead of schedule;
- (6) The borrower violates other provisions of this contract.

9.2 In case of any "early maturity event", the lender has the right to take one, more or all of the following measures:

- (1) Reduce, suspend or cancel the quota under the contract;
- (2) Stop issuing loans that have not been withdrawn by the borrower;
- (3) Stop the payment of the loan withdrawn but not used by the borrower;
- (4) Require the borrower to negotiate with the lender on supplementary loan issuance and payment conditions within a limited time limit;
- (5) Require the borrower to change the payment method as required by the lender;
- (6) Implement the risk repricing of the loan in accordance with Article 9.3;
- (7) Unilaterally announce that all the loan principal issued under the contract will expire in advance, and require the borrower to immediately repay all the loan principal due and settle the interest.

9.3 According to the production and operation of the borrower at the time of signing this contract, both parties have determined the interest rate agreed in this contract and its adjustment after consensus. The borrower agrees that in case of any “early maturity event”, the lender has the right to reprice the risk of the loan in accordance with this article.

9.3.1 Risk repricing includes negotiated repricing and direct increase of loan interest rate. The risk repricing method adopted in this contract shall be agreed by both parties in Article 21.

9.3.2 “Negotiated repricing” means that the lender has the right to require the borrower to negotiate with the lender to increase the loan interest rate within a limited time limit, and both parties determine the “repricing date” and relevant interest rate in the form of supplementary agreement.

9.3.3 “Direct increase of loan interest rate” means that the lender has the right to directly increase the loan interest rate in accordance with this article and Article 21.

9.3.3.1 From the “repricing date” notified by the lender to the borrower in writing, the increased loan interest rate shall be implemented for each loan outstanding by the borrower as of the “repricing date”.

9.3.3.2 If the loan currency is RMB, the increased loan interest rate of each loan shall be determined according to the plus (minus) point value agreed in Article 21 based on the applicable LPR value on the “repricing date”.

The “repricing date” is taken as t date, and the applicable LPR value on t date is the latest published loan market quotation interest rate (LPR) value before t date.

9.3.3.3 If the loan currency is foreign currency, the increased loan interest rate shall be determined in accordance with Article 21.

9.3.4 After the lender performs risk repricing as agreed above, the new interest rate shall be implemented from the “repricing date”. On the basis of this interest rate, it is still subject to floating adjustment as agreed in Article 3 of the contract. If both parties agree to change relevant agreements through consultation, the changed agreements shall prevail. If the loan is overdue (including the borrower’s failure to repay on time or the lender’s declaration of early maturity) or misappropriated, the penalty interest rate for overdue and misappropriation shall be determined on the basis of the new interest rate (including the interest rate after floating adjustment as agreed in this contract), and the interest rate for calculating compound interest shall be adjusted accordingly.

9.3.5 The implementation of “risk repricing” shall not be deemed or interpreted as the lender waiving other rights stipulated by laws and regulations and agreed in this contract. The lender has the right to take other creditor’s rights protection measures in accordance with laws, regulations and the contract, including but not limited to the measures agreed in article 9.2.

#### ▲ ▲ Article 10 breach of contract

10.1 If the borrower fails to repay the loan principal in full and on time, pay interest or use the loan according to the purpose agreed in this contract, the lender shall calculate and charge interest according to the penalty interest rate of overdue loan or the penalty interest rate of misappropriated loan, and charge compound interest on the unpaid interest payable. If the penalty interest rate is adjusted according to the contract, the interest rate for calculating compound interest shall be adjusted accordingly.

10.2 If the borrower fails to repay the loan principal and interest in full and on time, it shall bear the urging fees, legal fees (or arbitration fees), preservation fees, announcement fees, execution fees, lawyer fees, travel expenses and other expenses paid by the lender to realize the creditor’s rights.

▲ ▲ Article 11 deduction agreement

11.1 When the borrower authorizes the due loan principal, interest, default interest, compound interest or other expenses, the lender has the right to deduct the funds in any account opened by the borrower in all branches of Bank of communications for repayment.

11.2 After deduction, the lender shall notify the borrower of the account number, contract number, application for use of line number, deduction amount and remaining debt amount involved in the deduction.

11.3 If the deducted income is insufficient to pay off all the debts of the borrower, the debt paid off shall be determined according to the contract.

11.4 If the currency of the deducted income is inconsistent with that of the debt to be offset, it shall be converted into the amount of the debt to be offset at the exchange rate published by Bank of Communications Co., Ltd. at the time of deduction. If it is necessary to go through the procedures of settlement and sale of foreign exchange or foreign exchange conversion, the borrower is obliged to assist the lender in handling the procedures as required by the lender, and the exchange rate risk shall be borne by the borrower.

▲ ▲ Article 12 notice

12.1 The contact information (including mailing address, telephone number, fax number, etc.) filled in by the borrower in this contract is true and valid. In case of any change in contact information, the borrower shall immediately send / send the change information in writing to the mailing address filled in by the lender in this contract. Such information change shall take effect after the lender receives the change notice.

12.2 Unless otherwise expressly agreed in this contract, the lender has the right to notify the borrower in any of the following ways. The lender shall have the right to choose the appropriate method of notice, and shall not be liable for transmission errors, omissions or delays in postal, fax, telephone or any other communication system. If the lender chooses multiple notification methods at the same time, the one that reaches the borrower faster shall prevail. If the lender sends more than one notice to the borrower on the same matter and the contents of the notice are different, unless otherwise specified in the notice, the notice sent later shall prevail.

(1) For announcement, the date on which the lender issues an announcement on its website, online banking, telephone banking or business outlets shall be deemed as the date of service;

(2) In case of personal service, the date of receipt by the borrower shall be deemed as the date of service;

(3) Mail (including express mail, ordinary mail and registered mail) shall be delivered to the borrower's latest known mailing address, and the 3rd (same city) / 5th (different place) after the date of mailing shall be deemed as the date of delivery;

(4) When fax, mobile phone short message or other electronic communication means are sent to the borrower's fax number, mobile phone number or e-mail address designated by the borrower, the date of sending shall be deemed as the date of service. The aforementioned delivery means that relevant information enters the server terminal of the service provider without taking the actual display of relevant information in the client terminal as the standard.

12.3 The borrower agrees that unless the lender receives the borrower's written notice on the change of mailing address, the mailing address filled in by the borrower in this contract is the address for the court to serve judicial documents and other written documents on the borrower. The scope of application of the above service address includes but is not limited to the first instance, second instance, retrial and execution procedures of civil proceedings. If the borrower responds to the lawsuit and directly submits the confirmation of service address to the court, and the confirmation address is inconsistent with the latest known mailing address of the lender, the court has the right to serve according to the address on the confirmation of service address.

In the process of dispute resolution of this contract, the court may serve the judgment, ruling and mediation on the borrower in any of the following ways:

(1) For postal service (including express mail, ordinary mail and registered mail), the date of receipt signed by the borrower on the service return certificate shall be the date of service;

(2) In case of personal service, the date on which the borrower signs the service receipt shall be deemed as the date of service.

If the court uses the method of postal service (including express mail, ordinary mail and registered mail), if the borrower fails to sign on the service return certificate, or the communication address filled in by the borrower is inaccurate or the communication address is actually changed, but the lender does not receive the borrower's written notice on changing the communication address, resulting in the return of the judgment, ruling and mediation, The date on which the document is returned shall be deemed as the date of service.

If the court adopts the method of personal service, if the borrower fails to sign on the service receipt, the date when the sender records the situation on the service receipt on the spot shall be the date of service.

In addition to the judgment, ruling and mediation, the court has the right to give any notice to the borrower by any means of communication agreed in article 12.2. The court shall have the right to choose the appropriate means of communication and shall not be liable for transmission errors, omissions or delays in postal, fax, telephone, telex or any other communication system. If the court chooses multiple means of communication at the same time, the one that reaches the borrower faster shall prevail.

12.4 This clause is an independent dispute resolution clause in the contract. If the contract is invalid, revoked or terminated, the validity of this clause shall not be affected.

#### ▲ ▲ Article 13 information disclosure and confidentiality

13.1 For the unpublished information and materials of the borrower obtained and known during the signing and performance of this contract, the lender shall not use the relevant information and materials in violation of laws, regulations and regulatory requirements, and shall bear the responsibility of confidentiality according to law, and shall not disclose such information and materials to a third party, except under the following circumstances:

(1) Disclosure required by applicable laws and regulations;

(2) The judicial department or regulatory authority requires disclosure according to law;

(3) When the borrower fails to repay the loan principal and / or pay interest in full and on time, the lender needs to disclose to the lender's external professional consultant and allow the lender's external professional consultant to use it on a confidential basis in order to realize the creditor's rights under this contract;

(4) The borrower agrees or authorizes the lender to make disclosure.

13.2 The borrower confirms that it has signed the letter of authorization for credit information inquiry and provision. The lender shall inquire, use and save the borrower's credit information within the scope specified in the power of attorney.

13.3 In addition to the circumstances specified in articles 13.1 and 13.2 of the contract, the Borrower further agrees that bank of Communications Co., Ltd. can use or disclose the borrower's information and materials, including but not limited to the borrower's basic information, credit transaction information, bad information and other relevant information and materials, and is willing to bear all consequences arising therefrom:

Provide services to outsourcing institutions, third-party service providers, other financial institutions and other institutions or individuals deemed necessary by the lender for the following purposes, including but not limited to other branches of Bank of communications, or subsidiaries wholly or partially owned by Bank of communications, Disclose and allow them to use such information and materials on a confidential basis: j to carry out bank credit business or related to bank credit business, such as promoting the credit business of Bank of Communications Co., Ltd., collecting the borrower's arrears, transferring the creditor's rights of bank credit business, etc; k Provide or may provide new products or services or further services for the lender to the borrower.

The applicability of this article 13.3 shall be subject to the agreement of both parties in Article 24 of the contract.

#### Article 14 application of law and dispute resolution

This contract shall be governed by the laws of the people's Republic of China (excluding the laws of Hong Kong, Macao and Taiwan for the purpose of this contract). Unless otherwise agreed in this contract, the disputes under this contract shall be brought to the court with jurisdiction in the place where the lender is located. During the dispute period, each party shall continue to perform the terms not involved in the dispute.

#### Article 15 effectiveness and composition of the contract

15.1 This contract shall come into force after being signed (or sealed) by the legal representative (principal) or authorized representative of the borrower and affixed with the official seal, and signed (or sealed) by the principal or authorized representative of the lender and affixed with the special seal for contract.

15.2 The application for quota use signed when using the quota under the contract and other relevant documents and materials are an integral part of the contract.

15.3 The application for quota use is a supplement to this contract. Unless otherwise agreed in the application for use of credit line, the rights, obligations and related matters between the borrower and the lender shall still be implemented in accordance with the contract.

#### Article 16 specific contents of quota

16.1 Currency of quota: RMB; Amount in words: eight million yuan; It can be used for R RMB  / (foreign currency);The quota belongs to  revolving quota  one-time quota (can be used multiple times) R one-time quota (only used once).

16.2 Purpose of quota: operating turnover.

16.3 The credit term is from January 29, 2021 to January 29, 2022.

#### Article 17 interest rate agreement

If the loan currency is foreign currency, the relevant agreements on the determination of interest rate, the adjustment of interest rate and the penalty interest rate of overdue and misappropriated loans are as follows:

\_\_\_\_\_ / \_\_\_\_\_

Article 18 Account Agreement

18.1 The borrower designates the following account as the lending account, which  is R not the special loan issuing account opened by the borrower at the lender. If both parties agree otherwise in the corresponding quota use application, the agreement in the quota use application shall prevail.

Account Name: ChinaLink Professional Services Co., Ltd.

Account No.: 310066865018010213932

Bank of deposit: Bank of Communications Shanghai Zhangjiang sub branch

18.2 Designated by the borrower: /

(1) The repayment account is

Account Name: ChinaLink Professional Services Co., Ltd.

Account No.: 310066865018010213932

Bank of deposit: Bank of Communications Shanghai Zhangjiang sub branch

(2) The fund withdrawal account is: /

Account Name: ChinaLink Professional Services Co., Ltd.

Account No.: 310066865018010213932

Bank of deposit: Bank of Communications Shanghai Zhangjiang sub branch

Article 19 specific agreements on loan issuance, payment and repayment

19.1 The term of each loan drawn under this contract shall not be longer than 12 R months  days, and the maturity date of all loans shall not be later than June 7, 2022.

19.2 The limit of independent payment under this contract is RMB ten thousand yuan.

19.3 If one of the following conditions is met, the entrusted payment method of the lender shall be adopted:

\_\_\_\_\_ / \_\_\_\_\_

\_\_\_\_\_ / \_\_\_\_\_

19.4 If the borrower pays independently, the borrower shall summarize and report the payment of loan funds to the lender within 15 days after the loan is issued.

Article 20 financial restrictions, external agency rating and production and operation qualification / license

20.1 The external investment limit of the borrower is RMB 90 million; Increase the debt financing limit to RMB 90 million.

20.2 Contractual agreement on the borrower's financial indicators:

(1) /

(2) /

(3) /

20.3 Specific agreement on rating of external agencies:

(1) /

(2) /

20.4 Specific agreement on the borrower's production and operation qualification / license:

(1) /

(2) /

▲ ▲ Article 21 specific agreement on risk repricing

21.1 The contract adopts the following (1) risk repricing method: (1) negotiated repricing (2) Directly raise the loan interest rate.

21.2 Adopting the method of "directly increasing loan interest rate":

21.2.1 If the loan currency is RMB, the increased interest rate plus (minus) points are:  no plus or minus points  plus / percentage points  minus / percentage points. If there is another agreement on a loan, the increase (decrease) point of the interest rate after the increase of the loan shall be subject to the records in the application for the use of the applicable quota.

21.2.2 If the loan currency is foreign currency, the increased loan interest rate is:

\_\_\_\_ / \_\_\_\_

Article 22 contact information

The contact information of the borrower for receiving the notice agreed in Article 12 includes:

postal address: 1st floor, building 18, No. 498, GuoShouJing Road, Pudong New Area, Shanghai

Attention: Yang Xiaofeng

Postal Code: 201203

Tel: /

Mobile number: 13701602419

Fax: /

Email address: /

Article 23 number of copies of the contract

This contract is made in triplicate, with each party and the guarantor (if any) holding one copy.

Article 24 other agreed matters

24.1 Both parties agree that this contract R applicable  not applicable to Article 13.3.

24.2 the payment method of the loan under this contract shall be subject to the application for use of credit line signed by the lender.

\_\_\_\_\_  
/  
\_\_\_\_\_  
/  
\_\_\_\_\_

Borrower: ChinaLink Professional Services Co., Ltd.

Legal representative (person in charge): Yang Xiaofeng

Legal address: Room 26C01, No. 828-838, Zhangyang Road, China (Shanghai), pilot Free Trade Zone

Lender: Bank of Communications Co., Ltd. Shanghai new branch (Branch)

Person in charge: Chen de

Mailing address: No. 230, Xinjinqiao Road, Shanghai

**The borrower has read all the terms of the contract, and the lender has made a detailed description at the request of the borrower. When signing the contract, the borrower has no doubt and objection to all the contents, and understands the terms of the contract, especially with ▲ ▲ meaning of marked terms and its legal consequences.**

(this page is the signature page of working capital loan contract, and there is no text below)

Borrower	lender
(official seal)	(special seal for contract)
Legal representative (principal) Or authorized representative	principal or authorized representative
(signature or seal)	(signature or seal)
Signature Date:	Signature Date:
/ /	/ /

# contract for loans of working capital

Bank of Communications Co., Ltd

No.: Z2103LN15613701

**contract for loans of working capital**

## Important tips

The borrower is requested to carefully read the full text of this contract, especially the clauses marked with ▲ ▲ . In case of any doubt, please timely submit it to the lender for explanation.

In view of the borrower's application for working capital loan line from the lender, in order to clarify the rights and obligations of both parties, the borrower and the lender hereby enter into this contract through consultation.

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## Article 1 Definitions

“Line” refers to the maximum amount of the loan balance (under the revolving line) or total loan (under the one-time line) that the lender may issue to the borrower according to the contract. According to the contract, the line can be a revolving line or a one-time line (only used once or multiple times).

“Revolving credit line” means that the borrower can apply for the use of the credit line multiple times in accordance with the contract to obtain the loan, but the loan balance cannot exceed the agreed credit line.

“One time limit” means that the borrower can apply for the use limit one time or multiple times to obtain the loan according to the contract, but the total amount of the loan withdrawn shall not exceed the agreed limit.

“Loan balance” refers to the sum of the principal amount of the loan obtained and outstanding by the borrower under this contract.

“Line balance” refers to the amount of the line after deducting the loan balance (under the revolving line) or the total loan (under the one-time line).

“Credit period” refers to the period during which the lender grants loans to the borrower according to the application of the borrower and the contract, which belongs to the occurrence period of the loan rather than the loan period.

“Loan term” refers to the term of each loan determined by both parties in the corresponding application for use of loan line of Bank of Communications (hereinafter referred to as “application for use of loan line”).

“Loan market quotation rate (LPR)” refers to the loan market quotation rate published by the national interbank lending center on the 20th of each month (postponed in case of holidays).

“Bank working day” and “working day” refer to the open business day of the bank’s corporate business in the place where the lender is located, excluding legal holidays and rest days (except for business due to holiday adjustment). If the loan date, repayment date, interest payment date, maturity date and other obligation performance dates meet non bank working days, they shall be postponed to the next bank working day accordingly.

Related parties, related party transactions, major investors and individuals have the same meaning as the same words in the accounting standards for Business Enterprises No. 36 - disclosure of related parties (CK [2006] No. 3) issued by the Ministry of Finance and the subsequent amendments to the standards.

#### Article 2 use of quota

2.1 when the borrower needs to use the line, it shall apply to the lender at least 5 banking days in advance. When applying, the application form for the use of credit line shall be filled in and can be used only after being reviewed and approved by the lender.

▲ ▲ 2.2 Each use of the quota is subject to meeting all the following conditions:

- (1) The loan balance (under the revolving credit line) or the total loan amount (under the one-time credit line) does not exceed the credit line;
- (2) The amount of the loan applied for shall not exceed the balance of the quota;
- (3) The use application date and loan granting date are within the credit period;
- (4) The loan term and maturity date of the loan shall comply with the provisions of this contract;
- (5) The guarantee contract (if any) under this contract has become effective and continues to be valid. If the guarantee contract is a mortgage contract and / or pledge contract, the security interest has been established and continues to be valid;
- (6) The borrower has completed the government permission, approval, registration and other formalities that must be handled according to law when applying for loan and required by the lender, and such permission, approval or registration is continuously valid;

(7) After the effectiveness of this contract, there has been no significant adverse change in the borrower's operating and financial conditions;

(8) The borrower's application complies with the requirements of the lender's relevant rules and regulations;

(9) The borrower has not violated the contract;

(10) The payment method of the loan complies with the provisions of this contract. If the entrusted payment is adopted by the lender, the lender agrees to pay;

(11) For foreign currency loans, the borrower has provided documents proving that the loan complies with relevant foreign exchange management policies, including but not limited to valid certificates or registration documents for foreign exchange purposes;

(12) The borrower has designated a special fund return account and signed an account management agreement as required by the lender.

▲ ▲ 2.3 If the lender agrees to grant the loan, the final loan information shall be subject to the contents in the bank print column of the application for use of line 《The application for quota use is used as the loan voucher.

▲ ▲ 2.4 If the currency of the quota application is inconsistent with the currency of the quota, it shall be converted according to the exchange rate at the beginning of each day published by Bank of Communications Co., Ltd. for the purpose of determining the quota balance only. If there is no directly applicable exchange rate, it shall be converted by bank of Communications Co., Ltd. according to the exchange rate determined in a reasonable way.

▲ ▲ 2.5 After the borrower becomes the shareholder of the guarantor or the "actual controller" as defined in the company law, the lender has the right to suspend or cancel the unused loan line of the borrower before the guarantor provides the resolution of its shareholders' meeting (shareholders' meeting) on agreeing to provide guarantee for the borrower accepted by the lender.

Article 3 interest rate and calculation and payment of interest

3.1 Basic rules for determining interest rates

3.1.1 The loan interest rate under this contract is calculated based on the loan market quotation interest rate (LPR) as the pricing benchmark and according to the loan market quotation interest rate (LPR) plus (minus) points (1 basis point is 0.01%, 1 percentage point is 100 basis points). The interest rate shall be agreed in the application for quota use after negotiation between both parties at each use.

If both parties agree to apply fixed interest rate in the quota use application, if the specific value is recorded in the fixed interest rate value field, the specific interest rate of each loan shall be subject to the value recorded in the fixed interest rate value field in the quota use application, These specific values are determined on the basis of the specific value of the loan market quotation interest rate (LPR) applicable to the applicable date of the pricing benchmark agreed in the quota use application (hereinafter referred to as "LPR value") and according to the plus (minus) point value agreed in the quota use application. If no specific value is recorded in the fixed interest rate value field, the specific interest rate of each loan is determined based on the LPR value applicable to the applicable date of the pricing benchmark agreed in the quota use application and according to the plus (minus) point value agreed in the quota use application.

If both parties agree on the applicable floating interest rate in the application for quota use, the specific interest rate of each loan shall be based on the LPR value applicable to the applicable date of the pricing benchmark agreed in the application for quota use, according to the plus (minus) point value, interest rate floating rules, interest rate floating cycle The unit of interest rate floating cycle and the floating start date of specific date (if necessary) shall be determined.

3.1.2 If the currency is RMB, daily interest rate = monthly interest rate / 30, monthly interest rate = annual interest rate / 12; If the currency is Hong Kong dollar, British pound and Australian dollar, the daily interest rate = annual interest rate / 365; If the currencies are USD, euro, Japanese yen and other foreign currencies accepted by the lender, the daily interest rate = annual interest rate / 360.

▲ ▲ 3.2 lending rate

The loan interest rate at the time of each loan is determined based on the applicable LPR value of the “applicable date of pricing benchmark” agreed in the corresponding quota use application, and according to the plus (minus) point value agreed in the quota use application. Take “applicable date of pricing benchmark” as t day, and the applicable LPR value on t day is the latest published loan market quotation interest rate (LPR) value before t day.

3.3 Adjustment of interest rate

3.3.1 If the application for the use of credit line is recorded as a fixed interest rate, the interest rate recorded in the loan shall be implemented within the loan term.

▲ ▲ 3.3.2 if the application for use of quota records a floating interest rate, the loan interest rate adjustment date shall be determined according to the interest rate floating rules, interest rate floating cycle, interest rate floating cycle unit and specific date floating start date (if necessary) agreed in the application for use of quota, and the adjusted interest rate shall apply from the loan interest rate adjustment date.

3.3.2.1 If the quoted interest rate (LPR) of the loan market is adjusted during the loan period, the period of loan interest rate adjustment shall be calculated from the “loan entry date” or “specific start date” selected in the “interest rate floating rules”. The empty column of interest rate floating cycle is filled in the number of interest rate floating cycles. The interest rate floating cycle unit can be selected by day or by month. If “1” is filled in the number of interest rate floating cycles and “by day” is selected as the floating cycle unit, the loan interest rate adjustment date is the loan market quoted interest rate (LPR) adjustment date; If “3” is filled in the number of interest rate floating cycles and “by day” is selected as the floating cycle unit, the loan interest rate adjustment date is the day every 3 days from the “loan entry date” or “specific date floating start date”; If “1” is filled in the number of interest rate floating cycles and “by month” is selected as the floating cycle unit, the loan interest rate adjustment date is every month from the “loan entry date” or “specific date floating start date”; If “3” is filled in the number of interest rate floating cycles and “by month” is selected as the floating cycle unit, the loan interest rate adjustment date is every 3 months from the “loan entry date” or “floating start date of specific date”, and so on.

3.3.2.2 The loan interest rate on the loan interest rate adjustment date shall be determined on the basis of the LPR value applicable on the loan interest rate adjustment date, and the increase (decrease) point value of the interest rate shall remain unchanged (except for the increase (decrease) point value adjusted by both parties through consultation). Take “loan interest rate adjustment date” as t date, and the applicable LPR value on t date is the latest published loan market quotation interest rate (LPR) value before t date.

▲ ▲ 3.3.3 If the market quoted interest rate (LPR) of the loan is cancelled according to the regulatory requirements or the corresponding issuing institution stops issuing according to the regulatory requirements, the two parties shall negotiate and adjust the loan interest rate separately, but the adjusted interest rate shall not be lower than the then applicable interest rate; If both parties fail to reach an agreement on the adjusted interest rate more than 1 month since the date when the loan market quoted interest rate (LPR) is cancelled or stopped issuing, the lender has the right to announce the early maturity of the loan.

(3.3.4) the two parties can adjust the value of plus or minus of the corresponding loan interest rate after each loan interest rate is adjusted by the Nikkei consensus.

3.4 If the loan currency is RMB, the penalty interest rate of overdue loan shall rise by 50% according to the interest rate agreed in the contract, and the penalty interest rate of misappropriated loan shall rise by 100% according to the interest rate agreed in the contract. If the quoted interest rate (LPR) of the floating rate loan is adjusted, the lender has the right to adjust the penalty interest rate applicable to each loan accordingly, and the new penalty interest rate shall apply from the date of adjustment of the loan interest rate agreed in the corresponding quota use application.

### 3.5 Calculation of interest

3.5.1 Normal interest = interest rate agreed in the contract×Loan amount×Occupied days.

The number of occupied days is calculated from the lending date (inclusive) to the maturity date (exclusive). When the maturity date is a non working day, it shall be postponed. The extended period shall be included in the number of occupied days, and the interest shall still be calculated according to the contract.

3.5.2 The penalty interest of overdue loans and misappropriated loans shall be calculated according to the amount overdue or misappropriated and the actual number of days (from the date of overdue or misappropriation (inclusive) to the date of principal and interest repayment (exclusive)).

3.5.3 If the calculated interest / penalty interest has a large number of decimal places, the lender will retain two decimal places according to the rounding method.

▲ ▲ 3.6 if the borrower repays in advance or the lender recovers the loan in advance according to the contract, the corresponding interest rate grade will not be adjusted, but the interest rate agreed in the contract will still be implemented.

3.7 If the loan currency is foreign currency, the determination of interest rate, adjustment of interest rate, penalty interest rate for overdue and misappropriation of loans shall be subject to the provisions of Article 17 of the contract.

#### Article 4 payment of loans

4.1 If the loan granting account designated by the borrower is a special loan granting account opened at the lender, the loan granting and payment shall be handled through this account. This account is only used for the issuance and external payment of loan funds. It only sells "settlement business application" vouchers. It cannot handle checks, bills of exchange, bank acceptance bills and other businesses, and cannot be used for other settlement. When the borrower pays and handles the loan fund allocation independently, it must be handled at the counter of the account opening outlet. The deposit interest of the account shall be included in the borrower's repayment account.

4.2 When the borrower withdraws the loan according to the contract, it shall specify the payment method (entrusted payment by the lender or independent payment by the borrower), and only one payment method can be used for each withdrawal.

4.3 The lender's entrusted payment refers to the lender's direct payment of the loan funds to the borrower's counterparty for the purpose agreed in this contract through the borrower's account after issuing the loan according to the borrower's entrusted payment power of attorney.

If the amount of a single payment exceeds the autonomous payment limit or meets one of the conditions agreed in article 19.3, the entrusted payment method of loan shall be adopted.

If the entrusted payment is adopted by the lender, the borrower shall submit the application for the use of the line, the corresponding entrusted payment power of attorney and other materials required by the lender (including but not limited to business contracts, invoices, receipt documents and other transaction materials), specify the amount of the loan and the object and amount of payment, and the amount of the loan shall be equal to the total amount of payment.

▲ ▲ if the payment proposed by the borrower does not comply with the provisions of this contract or the corresponding business contract or has other defects, the lender has the right to refuse the payment and return the entrusted payment power of attorney submitted by the borrower.

▲ ▲ if the lender agrees to pay, if the external payment cannot be made or the payment refund occurs due to the error of the information provided by the borrower, the borrower shall resubmit the relevant documents and materials containing the correct information within the time limit specified by the lender. Therefore, the lender shall not be liable for the delay or failure of payment.

4.4 The borrower's independent payment means that after the lender issues the loan funds to the borrower's account according to the contract, the borrower shall independently pay them to the borrower's counterparty for the purpose agreed in the contract.

If the borrower pays independently, the borrower shall submit the application for the use of the line, the instructions for the use of funds and other materials required by the lender to the lender. The borrower shall summarize and report the payment of loan funds to the lender on time. The lender has the right to verify whether the loan payment meets the agreed purpose through account analysis, voucher inspection, on-site investigation, etc., and the borrower must cooperate with the lender in the verification.

Article 5 repayment of loans

5.1 The borrower shall repay according to the repayment date and amount recorded in the corresponding application for use of credit line.

▲ ▲ 5.2 the borrower cannot repay the loan in advance without the written consent of the lender.

▲ ▲ 5.3 the repayment arrangement of principal and interest agreed by the borrower and the lender in the application for the use of line is the true expression of intention reached by both parties on a voluntary basis after negotiation. Under the repayment arrangement selected by both parties, whether the principal is repaid before the interest does not affect the borrower's repayment responsibility for the interest payable, and the borrower shall not raise a defense against the repayment of the interest payable. Under any repayment arrangement, the borrower shall be liable for repayment of all principal and interest payable.

▲ ▲ 5.4 when the borrower's repayment (including the borrower's active repayment and the lender's deduction in accordance with the contract) fails to pay off all the borrower's debts in full:

(1) It shall first be used to pay off the overdue expenses. If the principal and interest are overdue for less than 90 days, the balance after offsetting the expenses shall be used to offset the due and unpaid interest, penalty interest and compound interest, and then used to offset the due and unpaid principal; If the principal or interest is overdue for more than 90 days, the balance after offsetting the expenses shall be used to offset the due and unpaid principal first, and then to offset the due and unpaid interest, penalty interest and compound interest;

(2) The borrower has several debts (including the borrower's debts to the Lender under other contracts), and the lender has the right to determine the repayment and offset order of each debt of the borrower at its own discretion, as long as the offset order does not violate the mandatory provisions of applicable laws, regulations, rules and relevant regulatory requirements of the lender. The lender shall notify the borrower of the result of debt repayment. Unless otherwise agreed by both parties.

Article 6 representations and warranties of the borrower

6.1 The borrower is legally established and exists, has all necessary rights and capabilities, and can perform its obligations under this contract and bear civil liabilities in its own name.

6.2 The signing and performance of this contract is the true expression of intention of the borrower, and has been subject to all necessary consent, approval and authorization, without any legal defects.

6.3 The borrower's production and operation are legal and compliant, has the ability of sustainable operation, has legal repayment sources, does not involve major environmental and social risks, and has no major bad credit record. The senior management of the borrower has no bad record.

6.4 All documents, statements, materials and information provided by the borrower to the lender in the process of signing and performing this contract are true, accurate, complete and effective, do not conceal any information that may affect its financial status and repayment ability from the lender, and the financial status of the borrower has not changed significantly since the date of the latest financial statement report.

▲ ▲ 6.5 neither the borrower nor its affiliates are enterprises or individuals in the sanctions list of the United Nations, the European Union or the United States and the list of risks related to terrorism and anti money laundering issued by Chinese government departments or competent authorities; It is not located in countries and regions sanctioned by the United Nations, the European Union or the United States.

▲ ▲ 6.6 the borrower guarantees to comply with the national anti money laundering laws, regulations and relevant policies, not to engage in assisting others in money laundering, terrorist financing, tax evasion, evasion of bank debt, cash withdrawal, telecommunications fraud, illegal fund-raising and other illegal activities, and actively cooperate with the lender in customer identification, transaction record preservation, customer identity and transaction background due diligence Large sum and suspicious transaction reports and other anti money laundering work, and provide relevant supporting materials as required by the lender.

#### Article 7 rights and obligations of the Lender

7.1 The lender has the right to recover the loan principal and interest (including compound interest, penalty interest for overdue and misappropriated loans, etc.) in accordance with the contract, collect the fees payable by the borrower, decide to recover the loan in advance according to the return of the borrower's funds, and exercise other rights stipulated by law or the contract.

▲ ▲ 7.2 during the performance of this contract, the lender will only conduct formal review on the materials provided by the borrower. If the lender fails to complete the entrusted payment in time due to the untrue, inaccurate or incomplete materials provided by the borrower or the borrower's payment in violation of the contract, the lender shall not be liable.

▲ ▲ 7.3 the lender shall issue loans and handle payment in accordance with the contract. If the lender fails to issue the loan or handle the payment on time due to any of the following reasons, the lender shall not be liable, but will timely notify the borrower: the loan account designated by the borrower is frozen, the account of the payment object is frozen, force majeure, communication or network failure, Lender system failure, etc. Unless otherwise agreed in the contract.

Article 8 obligations of the borrower

8.1 The borrower shall repay the loan principal under this contract and pay interest according to the time, amount, currency and interest rate recorded in this contract and the corresponding quota use application.

The fund return account designated by the borrower is used to collect the corresponding sales revenue or planned repayment funds. If the corresponding sales revenue is settled in non cash, the borrower shall ensure that the funds are transferred to the fund return account in time after receiving the funds. The borrower shall provide the capital in and out of the capital return account as required by the lender.

8.2 The borrower shall use the loan according to the purpose agreed in the contract and the purpose determined in the corresponding application for the use of the loan, shall not misappropriate the loan for other purposes, and shall not use the loan for fixed asset investment, equity investment and fields and purposes prohibited by the state.

The borrower shall use the loan funds in the agreed manner, and shall not evade the entrusted payment of the lender by breaking up the whole into parts; If the borrower pays independently, the borrower shall use the loan within a reasonable time according to the requirements of the lender's regulatory authority, and the payment of loan funds shall comply with the provisions of this contract.

▲ ▲ 8.3 the borrower shall bear the settlement expenses (if any) for the payment of loan funds (including entrusted payment by the lender and independent payment by the borrower). The specific charges shall be implemented in accordance with laws, regulations, rules, regulatory provisions and the then effective service charge list of Bank of Communications published by the lender.

The lending account is a special loan issuing account. When the loan funds are paid (including the entrusted payment of the lender and the independent payment of the borrower), if the collection account does not belong to the account opened in the Bank of communications, the fund payment may be handled through the payment system of the people's Bank of China or the local exchange system.

If the lending account is not a special loan issuing account, when the loan funds are paid (including the entrusted payment of the lender and the independent payment of the borrower), if the collection account is an account of another bank in another place, the fund payment shall be handled through the payment system of the people's Bank of China.

▲ ▲ 8.4 the borrower shall cooperate with the lender in the management of loan payment and the supervision and inspection of loan use and the borrower's operation, and timely provide the financial statements, loan fund use records and materials, transaction information of related parties and related parties, environmental and social risk reports, other materials and information required by the lender for post loan risk management, And ensure that the documents, materials and information provided are true, complete and accurate.

▲ ▲ 8.5 the borrower shall notify the lender in writing at least 30 days in advance of any of the following matters, and shall not take action before paying off all loan principal and interest under the contract or providing repayment scheme and guarantee approved by the lender:

(1) Sell, gift, lease, lend, transfer, mortgage, pledge or otherwise dispose of all or most of the assets or important assets;

(2) Major changes have taken place in the business system or property right organization form, including but not limited to the implementation of contracting, leasing, joint venture, corporate transformation, joint-stock cooperative transformation, enterprise sale, merger (merger), joint venture (cooperation), division, establishment of subsidiaries, equity transfer, property right transfer, capital reduction, etc.

(3) Foreign investment or increased debt financing exceeds the agreed limit.

▲ ▲ 8.6 the borrower shall notify the lender in writing within 7 days from the date of occurrence or possible occurrence of the following events:

(1) The borrower or its affiliates modify the articles of association, change the business registration items such as enterprise name, legal representative (person in charge), domicile, mailing address or business scope, or make decisions that have a significant impact on finance and personnel;

(2) The borrower, its affiliates or guarantors intend to apply for bankruptcy or may or has been applied for bankruptcy by creditors;

(3) The borrower or its affiliates are involved in major litigation, arbitration and administrative measures, or property preservation or other coercive measures are taken for the main assets or the collateral under the contract, or the safety and integrity of the main assets or the collateral under the contract are or may be affected, or the value is reduced or may be reduced;

(4) The borrower or its affiliates provide guarantee for the third party, which has a significant adverse impact on its economic status, financial status or ability to perform its obligations under the contract;

(5) The borrower or its affiliates sign contracts that have a significant impact on its operation and financial status;

(6) The borrower pays off the undue debts in advance or gives priority to other due debts, adds mortgage and pledge for other existing debts, or makes any arrangement with similar effect or signs relevant documents;

(7) The borrower, its affiliates or guarantors stop production, close down, dissolve, close down for rectification, are revoked or their business licenses are revoked;

(8) The disappearance of the borrower or its affiliates, the main individual investors of the borrower or its affiliates, the legal representative (person in charge), directors or key management personnel of the borrower or its affiliates, involving violations of laws and regulations or violation of applicable exchange rules or abnormal changes;

(9) Serious difficulties in the operation of the borrower or its affiliates, or deterioration of its financial condition, or other events that have a negative impact on the operation, financial condition, solvency or economic condition of the borrower or its affiliates;

(10) Related party transactions occur, and the transaction amount reaches or exceeds 10% of the latest audited net assets;

(11) Before paying off all debts under this contract, the borrower becomes or may become the shareholder of the guarantor or the “actual controller” as defined in the company law;

(12) The borrower or its affiliates cause liability accidents or are exposed by the media due to violation of laws and regulations, regulatory provisions, national policies or industrial standards;

(13) Safety or environmental protection accidents of the borrower or its affiliates;

(14) Changes in the control or controlled relationship between the borrower&apos;s related parties and the borrower;

(15) Significant equity changes of the borrower or related parties;

(16) The audit opinion of the borrower&apos;s external auditor on its financial statements is not a standard unqualified opinion;

(17) The borrower is or may be investigated, punished or taken other similar measures by the competent authorities for violating laws, regulations and / or regulatory requirements;

(18) The borrower or its affiliates are included in the sanctions list of the United Nations, the European Union or the United States, as well as the list of risks related to terrorism and anti money laundering issued by Chinese government departments or competent authorities; Or its country and region are included in the list of sanctions countries and regions such as the United Nations, the European Union or the United States;

(19) Other major adverse events affecting the solvency of the borrower or its affiliates occur.

▲ ▲ 8.7 when the guarantee under this contract changes against the creditor&apos;s rights of the lender, the borrower shall timely provide other guarantees approved by the lender as required by the lender.

The “change” mentioned in this paragraph includes but is not limited to: the guarantor merges, splits, stops production, goes out of business, dissolves, goes out of business for rectification, is revoked, the business license is revoked, applies for or is applied for bankruptcy; The operation or financial status of the guarantor has changed significantly; The guarantor is involved in major litigation, arbitration, administrative measures, or property preservation or other coercive measures have been taken for its main assets; The security and integrity of the collateral is or may be affected; The value of the collateral decreases or may decrease, or compulsory measures such as seizure and property preservation are taken; The guarantor or its legal representative (principal) or key management personnel are involved in violation of laws and regulations or the applicable exchange rules; If the guarantor is an individual, the guarantor is missing or dead (declared dead);The guarantor is in breach of contract under the guarantee contract; Disputes between the guarantor and the borrower; The guarantor requests to terminate the guarantee contract; The guarantee contract is not effective, invalid or revoked; The security interest is not established or invalid; Or other events affecting the safety of the creditor&apos;s rights of the lender.

▲ ▲ 8.8 the borrower promises that from the date of signing this contract to the completion of all loan principal, interest and related expenses under this contract, the borrower&apos;s financial indicators, external agency rating and production and operation qualification / license always comply with the contract. If the production and operation qualification / license needs annual review, it shall pass the annual review on time.

8.9 The borrower guarantees that the borrower, the borrower's staff and agents will not provide, give, demand or receive any form of material benefits (including but not limited to cash, physical cards, tourism, etc.) or other non-material benefits to the lender or the lender's staff in any form; Not use the funds or services provided by the lender directly or indirectly in any form for activities related to corruption or bribery; If the borrower is aware of any violation of this article, it shall timely, truthfully, completely and accurately provide clues and relevant information to the lender, and cooperate with relevant matters as required by the lender.

▲ ▲ Article 9 adjustment of credit limit, early maturity of loan and risk repricing

9.1 Any of the following events shall be deemed as the "early expiration event" of the contract:

- (1) The borrower fails to repay the loan principal or pay interest as agreed in any application for quota use under this contract;
- (2) The representations and warranties made by the borrower under this contract are untrue;
- (3) Any event listed in article 8.6 to be notified actually occurs, affecting or possibly affecting the safety of the creditor's rights of the lender;
- (4) Due to changes in laws, regulations and regulatory policies, the lender's granting of loans in accordance with the contract constitutes or may constitute violation of laws or regulations;
- (5) When performing other contracts with the lender or contracts with a third party, the borrower may have breached the contract or the debt may have been declared to be due ahead of schedule;
- (6) The borrower violates other provisions of this contract.

9.2 In case of any "early maturity event", the lender has the right to take one, more or all of the following measures:

- (1) Reduce, suspend or cancel the quota under the contract;
- (2) Stop issuing loans that have not been withdrawn by the borrower;
- (3) Stop the payment of the loan withdrawn but not used by the borrower;
- (4) Require the borrower to negotiate with the lender on supplementary loan issuance and payment conditions within a limited time limit;
- (5) Require the borrower to change the payment method as required by the lender;
- (6) Implement the risk repricing of the loan in accordance with Article 9.3;
- (7) Unilaterally announce that all the loan principal issued under the contract will expire in advance, and require the borrower to immediately repay all the loan principal due and settle the interest.

9.3 According to the production and operation of the borrower at the time of signing this contract, both parties have determined the interest rate agreed in this contract and its adjustment after consensus. The borrower agrees that in case of any “early maturity event”, the lender has the right to reprice the risk of the loan in accordance with this article.

9.3.1 Risk repricing includes negotiated repricing and direct increase of loan interest rate. The risk repricing method adopted in this contract shall be agreed by both parties in Article 21.

9.3.2 “Negotiated repricing” means that the lender has the right to require the borrower to negotiate with the lender to increase the loan interest rate within a limited time limit, and both parties determine the “repricing date” and relevant interest rate in the form of supplementary agreement.

9.3.3 “Direct increase of loan interest rate” means that the lender has the right to directly increase the loan interest rate in accordance with this article and Article 21.

9.3.3.1 From the “repricing date” notified by the lender to the borrower in writing, the increased loan interest rate shall be implemented for each loan outstanding by the borrower as of the “repricing date”.

9.3.3.2 If the loan currency is RMB, the increased loan interest rate of each loan shall be determined according to the plus (minus) point value agreed in Article 21 based on the applicable LPR value on the “repricing date”.

The “repricing date” is taken as t date, and the applicable LPR value on t date is the latest published loan market quotation interest rate (LPR) value before t date.

9.3.3.3 If the loan currency is foreign currency, the increased loan interest rate shall be determined in accordance with Article 21.

9.3.4 After the lender performs risk repricing as agreed above, the new interest rate shall be implemented from the “repricing date”. On the basis of this interest rate, it is still subject to floating adjustment as agreed in Article 3 of the contract. If both parties agree to change relevant agreements through consultation, the changed agreements shall prevail. If the loan is overdue (including the borrower’s failure to repay on time or the lender’s declaration of early maturity) or misappropriated, the penalty interest rate for overdue and misappropriation shall be determined on the basis of the new interest rate (including the interest rate after floating adjustment as agreed in this contract), and the interest rate for calculating compound interest shall be adjusted accordingly.

9.3.5 The implementation of “risk repricing” shall not be deemed or interpreted as the lender waiving other rights stipulated by laws and regulations and agreed in this contract. The lender has the right to take other creditor’s rights protection measures in accordance with laws, regulations and the contract, including but not limited to the measures agreed in article 9.2.

#### ▲ ▲ Article 10 breach of contract

10.1 If the borrower fails to repay the loan principal in full and on time, pay interest or use the loan according to the purpose agreed in this contract, the lender shall calculate and charge interest according to the penalty interest rate of overdue loan or the penalty interest rate of misappropriated loan, and charge compound interest on the unpaid interest payable. If the penalty interest rate is adjusted according to the contract, the interest rate for calculating compound interest shall be adjusted accordingly.

10.2 If the borrower fails to repay the loan principal and interest in full and on time, it shall bear the urging fees, legal fees (or arbitration fees), preservation fees, announcement fees, execution fees, lawyer fees, travel expenses and other expenses paid by the lender to realize the creditor’s rights.

▲ ▲ Article 11 deduction agreement

11.1 When the borrower authorizes the due loan principal, interest, default interest, compound interest or other expenses, the lender has the right to deduct the funds in any account opened by the borrower in all branches of Bank of communications for repayment.

11.2 After deduction, the lender shall notify the borrower of the account number, contract number, application for use of line number, deduction amount and remaining debt amount involved in the deduction.

11.3 If the deducted income is insufficient to pay off all the debts of the borrower, the debt paid off shall be determined according to the contract.

11.4 If the currency of the deducted income is inconsistent with that of the debt to be offset, it shall be converted into the amount of the debt to be offset at the exchange rate published by Bank of Communications Co., Ltd. at the time of deduction. If it is necessary to go through the procedures of settlement and sale of foreign exchange or foreign exchange conversion, the borrower is obliged to assist the lender in handling the procedures as required by the lender, and the exchange rate risk shall be borne by the borrower.

▲ ▲ Article 12 notice

12.1 The contact information (including mailing address, telephone number, fax number, etc.) filled in by the borrower in this contract is true and valid. In case of any change in contact information, the borrower shall immediately send / send the change information in writing to the mailing address filled in by the lender in this contract. Such information change shall take effect after the lender receives the change notice.

12.2 Unless otherwise expressly agreed in this contract, the lender has the right to notify the borrower in any of the following ways. The lender shall have the right to choose the appropriate method of notice, and shall not be liable for transmission errors, omissions or delays in postal, fax, telephone or any other communication system. If the lender chooses multiple notification methods at the same time, the one that reaches the borrower faster shall prevail. If the lender sends more than one notice to the borrower on the same matter and the contents of the notice are different, unless otherwise specified in the notice, the notice sent later shall prevail.

(1) For announcement, the date on which the lender issues an announcement on its website, online banking, telephone banking or business outlets shall be deemed as the date of service;

(2) In case of personal service, the date of receipt by the borrower shall be deemed as the date of service;

(3) Mail (including express mail, ordinary mail and registered mail) shall be delivered to the borrower's latest known mailing address, and the 3rd (same city) / 5th (different place) after the date of mailing shall be deemed as the date of delivery;

(4) When fax, mobile phone short message or other electronic communication means are sent to the borrower's fax number, mobile phone number or e-mail address designated by the borrower, the date of sending shall be deemed as the date of service. The aforementioned delivery means that relevant information enters the server terminal of the service provider without taking the actual display of relevant information in the client terminal as the standard.

12.3 The borrower agrees that unless the lender receives the borrower's written notice on the change of mailing address, the mailing address filled in by the borrower in this contract is the address for the court to serve judicial documents and other written documents on the borrower. The scope of application of the above service address includes but is not limited to the first instance, second instance, retrial and execution procedures of civil proceedings. If the borrower responds to the lawsuit and directly submits the confirmation of service address to the court, and the confirmation address is inconsistent with the latest known mailing address of the lender, the court has the right to serve according to the address on the confirmation of service address.

In the process of dispute resolution of this contract, the court may serve the judgment, ruling and mediation on the borrower in any of the following ways:

(1) For postal service (including express mail, ordinary mail and registered mail), the date of receipt signed by the borrower on the service return certificate shall be the date of service;

(2) In case of personal service, the date on which the borrower signs the service receipt shall be deemed as the date of service.

If the court uses the method of postal service (including express mail, ordinary mail and registered mail), if the borrower fails to sign on the service return certificate, or the communication address filled in by the borrower is inaccurate or the communication address is actually changed, but the lender does not receive the borrower's written notice on changing the communication address, resulting in the return of the judgment, ruling and mediation, The date on which the document is returned shall be deemed as the date of service.

If the court adopts the method of personal service, if the borrower fails to sign on the service receipt, the date when the sender records the situation on the service receipt on the spot shall be the date of service.

In addition to the judgment, ruling and mediation, the court has the right to give any notice to the borrower by any means of communication agreed in article 12.2. The court shall have the right to choose the appropriate means of communication and shall not be liable for transmission errors, omissions or delays in postal, fax, telephone, telex or any other communication system. If the court chooses multiple means of communication at the same time, the one that reaches the borrower faster shall prevail.

12.4 This clause is an independent dispute resolution clause in the contract. If the contract is invalid, revoked or terminated, the validity of this clause shall not be affected.

#### ▲ ▲ Article 13 information disclosure and confidentiality

13.1 For the unpublished information and materials of the borrower obtained and known during the signing and performance of this contract, the lender shall not use the relevant information and materials in violation of laws, regulations and regulatory requirements, and shall bear the responsibility of confidentiality according to law, and shall not disclose such information and materials to a third party, except under the following circumstances:

(1) Disclosure required by applicable laws and regulations;

(2) The judicial department or regulatory authority requires disclosure according to law;

(3) When the borrower fails to repay the loan principal and / or pay interest in full and on time, the lender needs to disclose to the lender's external professional consultant and allow the lender's external professional consultant to use it on a confidential basis in order to realize the creditor's rights under this contract;

(4) The borrower agrees or authorizes the lender to make disclosure.

13.2 The borrower confirms that it has signed the letter of authorization for credit information inquiry and provision. The lender shall inquire, use and save the borrower's credit information within the scope specified in the power of attorney.

13.3 In addition to the circumstances specified in articles 13.1 and 13.2 of the contract, the Borrower further agrees that bank of Communications Co., Ltd. can use or disclose the borrower's information and materials, including but not limited to the borrower's basic information, credit transaction information, bad information and other relevant information and materials, and is willing to bear all consequences arising therefrom:

Provide services to outsourcing institutions, third-party service providers, other financial institutions and other institutions or individuals deemed necessary by the lender for the following purposes, including but not limited to other branches of Bank of communications, or subsidiaries wholly or partially owned by Bank of communications, Disclose and allow them to use such information and materials on a confidential basis: j to carry out bank credit business or related to bank credit business, such as promoting the credit business of Bank of Communications Co., Ltd., collecting the borrower's arrears, transferring the creditor's rights of bank credit business, etc; k Provide or may provide new products or services or further services for the lender to the borrower.

The applicability of this article 13.3 shall be subject to the agreement of both parties in Article 24 of the contract.

#### Article 14 application of law and dispute resolution

This contract shall be governed by the laws of the people's Republic of China (excluding the laws of Hong Kong, Macao and Taiwan for the purpose of this contract). Unless otherwise agreed in this contract, the disputes under this contract shall be brought to the court with jurisdiction in the place where the lender is located. During the dispute period, each party shall continue to perform the terms not involved in the dispute.

#### Article 15 effectiveness and composition of the contract

15.1 This contract shall come into force after being signed (or sealed) by the legal representative (principal) or authorized representative of the borrower and affixed with the official seal, and signed (or sealed) by the principal or authorized representative of the lender and affixed with the special seal for contract.

15.2 The application for quota use signed when using the quota under the contract and other relevant documents and materials are an integral part of the contract.

15.3 The application for quota use is a supplement to this contract. Unless otherwise agreed in the application for use of credit line, the rights, obligations and related matters between the borrower and the lender shall still be implemented in accordance with the contract.

#### Article 16 specific contents of quota

16.1 Currency of quota: RMB; Amount in words: twelve million yuan only; It can be used for RMB  / (foreign currency); The quota belongs to  revolving quota  one-time quota (can be used multiple times) R one-time quota (only used once).

16.2 Purpose of quota: operating turnover.

16.3 The credit term is from January 29, 2021 to January 29, 2022.

#### Article 17 interest rate agreement

If the loan currency is foreign currency, the relevant agreements on the determination of interest rate, the adjustment of interest rate and the penalty interest rate of overdue and misappropriated loans are as follows:

\_\_\_\_\_ / \_\_\_\_\_

Article 18 Account Agreement

18.1 The borrower designates the following account as the lending account, which  is R not the special loan issuing account opened by the borrower at the lender. If both parties agree otherwise in the corresponding quota use application, the agreement in the quota use application shall prevail.

Account Name: ChinaLink Professional Services Co., Ltd.

Account No.: 310066865018010213932

Bank of deposit: Bank of Communications Shanghai Zhangjiang sub branch

18.2 Designated by the borrower: /

(1) The repayment account is

Account Name: ChinaLink Professional Services Co., Ltd.

Account No.: 310066865018010213932

Bank of deposit: Bank of Communications Shanghai Zhangjiang sub branch

(2) The fund withdrawal account is: /

Account Name: ChinaLink Professional Services Co., Ltd.

Account No.: 310066865018010213932

Bank of deposit: Bank of Communications Shanghai Zhangjiang sub branch

Article 19 specific agreements on loan issuance, payment and repayment

19.1 The term of each loan drawn under this contract shall not be longer than 12 R months  days, and the maturity date of all loans shall not be later than July 29, 2022.

19.2 The limit of independent payment under this contract is RMB ten thousand yuan.

19.3 If one of the following conditions is met, the entrusted payment method of the lender shall be adopted:

\_\_\_\_\_ / \_\_\_\_\_

\_\_\_\_\_ / \_\_\_\_\_

19.4 If the borrower pays independently, the borrower shall summarize and report the payment of loan funds to the lender within 15 days after the loan is issued.

Article 20 financial restrictions, external agency rating and production and operation qualification / license

20.1 The external investment limit of the borrower is RMB 90 million; Increase the debt financing limit to RMB 90 million.

20.2 Contractual agreement on the borrower's financial indicators:

(1) /

(2) /

(3) /

20.3 Specific agreement on rating of external agencies:

(1) /

(2) /

20.4 Specific agreement on the borrower's production and operation qualification / license:

(1) /

(2) /

▲ ▲ Article 21 specific agreement on risk repricing

21.1 The contract adopts the following (1) risk repricing method: (1) negotiated repricing (2) Directly raise the loan interest rate.

21.2 Adopting the method of "directly increasing loan interest rate":

21.2.1 If the loan currency is RMB, the increased interest rate plus (minus) points are:  no plus or minus points  plus / percentage points  minus / percentage points. If there is another agreement on a loan, the increase (decrease) point of the interest rate after the increase of the loan shall be subject to the records in the application for the use of the applicable quota.

21.2.2 If the loan currency is foreign currency, the increased loan interest rate is:

\_\_\_\_ / \_\_\_\_

Article 22 contact information

The contact information of the borrower for receiving the notice agreed in Article 12 includes:

postal address: 1st floor, building 18, No. 498, GuoShouJing Road, Pudong New Area, Shanghai

Attention: Yang Xiaofeng

Postal Code: 201203

Tel: /

Mobile number: 13701602419

Fax: /

Email address: /

Article 23 number of copies of the contract

This contract is made in triplicate, with each party and the guarantor (if any) holding one copy.

Article 24 other agreed matters

24.1 Both parties agree that this contract R applicable  not applicable to Article 13.3.

24.2 the payment method of the loan under this contract shall be subject to the application for use of credit line signed by the lender.

\_\_\_\_\_  
/  
\_\_\_\_\_  
/  
\_\_\_\_\_

Borrower: ChinaLink Professional Services Co., Ltd.

Legal representative (person in charge): Yang Xiaofeng

Legal address: Room 26C01, No. 828-838, Zhangyang Road, China (Shanghai), pilot Free Trade Zone

Lender: Bank of Communications Co., Ltd. Shanghai new branch (Branch)

Person in charge: Chen de

Mailing address: No. 230, Xinjinqiao Road, Shanghai

**The borrower has read all the terms of the contract, and the lender has made a detailed description at the request of the borrower. When signing the contract, the borrower has no doubt and objection to all the contents, and understands the terms of the contract, especially with ▲ ▲ meaning of marked terms and its legal consequences.**

(this page is the signature page of working capital loan contract, and there is no text below)

Borrower	lender
(official seal)	(special seal for contract)
Legal representative (principal) Or authorized representative	principal or authorized representative
(signature or seal)	(signature or seal)
Signature Date:	Signature Date:
/ /	/ /

**Certification**  
**Pursuant to Rule 13a-14(a) of the Exchange Act**

I, Raymond Ming Hui Lin, certify that:

1. I have reviewed this annual report on Form 20-F of CLPS Incorporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 15, 2021

By: \_\_\_\_\_

Name: Raymond Ming Hui Lin  
Title: Chief Executive Officer  
(Principal Executive Officer)

**Certification**  
**Pursuant to Rule 13a-14(a) of the Exchange Act**

I, Rui Yang, certify that:

1. I have reviewed this annual report on Form 20-F of CLPS Incorporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: October 15, 2021

By: \_\_\_\_\_

Name: Rui Yang

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

**Certification**  
**Pursuant to 18 U.S.C. Section 1350**

Pursuant to U.S.C. Section 1350 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of CLPS Incorporation (the "Company"), does hereby certify, to such officer's knowledge, that the Annual Report on Form 20-F for the year ended June 30, 2021 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

**CLPS Incorporation**

October 15, 2021

By: \_\_\_\_\_  
Name: Raymond Ming Hui Lin  
Title: Chief Executive Officer  
(Principal Executive Officer)

October 15, 2021

By: \_\_\_\_\_  
Name: Rui Yang  
Title: Chief Financial Officer  
(Principal Financial and Accounting Officer)

<b>Name of the Entity</b>	<b>Jurisdiction</b>
Qinheng Co., Limited	Hong Kong
Qiner Co., Limited	Hong Kong
Shanghai Qincheng Information Technology Co., Ltd.	PRC
ChinaLink Professional Services Co., Ltd.	PRC
CLPS Dalian Co., Ltd.	PRC
CLPS Ruicheng Co., Ltd.	PRC
CLPS Beijing Hengtong Co., Ltd.	PRC
JAJI (Shanghai) Co., Ltd.	PRC
JAJI (Shanghai) Human Resource Co., Ltd.	PRC
CLPS-Ridik Technology (Australia) Pty. Ltd.	Australia
CLPS Technology (Singapore) Pte. Ltd.	Singapore
CLPS Technology (HK) Co., Ltd.	Hong Kong
CLPS Shenzhen Co., Ltd.	PRC
Tianjin Huanyu Qinshang Network Technology Co., Ltd.	PRC
CLPS Guangzhou Co., Ltd.	PRC
CLPS Technology (US) Ltd.	Delaware
CLPS Technology (California) Inc.	California
CLPS Hangzhou Co. Ltd.	PRC
Ridik Pte. Ltd.	Singapore
Ridik Consulting Private Limited	India
Ridik Sdn. Bhd.	Malaysia
Ridik Software Solutions Pte. Ltd.	Singapore
CLPS Technology Japan	Japan
Qinson Credit Card Services Limited	Hong Kong
Hainan Qincheng Software Technology Co.Ltd	PRC
CLPS Xian Co., Ltd.	PRC
Shanghai Chenqin Information Technology Services Co., Ltd.	PRC
CareerWin Executive Search Co., Ltd.	PRC
Beijing Bozhuo Education Technology Co., Ltd	PRC
Growth Ring Ltd.	BVI
Arabian Jasmine Ltd.	BVI
Noni (SINGAPORE) PTE. LTD.	Singapore
CLPS-Beefinance Holding Limited	BVI
LinkCrypto Finance Technology Limited	Hong Kong
Qinson Ltd.	BVI
LQE Ltd.	BVI
CLPS Technology (Philippines) Corp	Philippines
MSCT Investment Holdings Limited	BVI
MNYC HOLDINGS (HK) LIMITED	Hong Kong
Haikou Huaqin Minshang Software Development Co., Ltd	PRC

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-226110) and Amendment No. 1 to Registration Statement (Form S-8 No. 333-226110) pertaining to the 2017 Equity Incentive Plan of CLPS Incorporation,
- (2) Registration Statement (Form S-8 No. 333-231103) pertaining to the 2019 Equity Incentive Plan of CLPS Incorporation,
- (3) Registration Statement (Form F-3 No. 333-231812) and Amendment No. 1 to Registration Statement (Form F-3 No. 333-231812) of CLPS Incorporation,
- (4) Registration Statement (Form S-8 No. 333-237846) and Amendment No. 1 to Registration Statement (Form S-8 No. 333-237846) pertaining to the 2020 Equity Incentive Plan of CLPS Incorporation, and
- (5) Registration Statement (Form F-3 No. 333-254910) and Amendment No.1 to the Registration Statement (Form F-3 No. 333-254910) of CLPS Incorporation;

of our report dated October 15, 2021, with respect to the consolidated financial statements of CLPS Incorporation included in this Annual Report (Form 20-F) of CLPS Incorporation for the year ended June 30, 2021.

Ernst & Young Hua Ming LLP  
Shanghai, The People's Republic of China  
October 15, 2021