

CLPS Incorporation Reports Financial Results for the Second Half and Full Year of Fiscal 2021

HONG KONG, Oct. 15, 2021 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), today announced its financial results for the six months ended June 30, 2021 and full year of fiscal year 2021.

Unaudited Second Half of Fiscal 2021 Highlights (all results compared to the six months ended June 30, 2020)

- Revenues increased by 44.6% to \$67.7 million from \$46.8 million.
- Revenue from IT consulting services increased by 43.2% to \$65.2 million from \$45.5 million.
- Revenue from e-Commerce area increased by 101.2% to \$11.5 million from \$5.7 million.
- Revenue from automotive area increased by 204.5% to \$5.0 million from \$1.6 million.
- Operating income increased by 417.9% to \$3.4 million from \$0.7 million.
- Net income increased by 166.0% to \$2.1 million from \$0.8 million.
- Net income attributable to CLPS Incorporation's shareholders increased by 243.7% to \$2.0 million, or \$0.11 basic and \$0.10 diluted earnings per share, compared to net income attributable to CLPS Incorporation's shareholders of \$0.6 million, or \$0.04 basic and diluted earnings per share.
- Non-GAAP net income attributable to CLPS Incorporation's shareholders¹ increased by 59.4% to \$5.6 million, or \$0.30 basic and \$0.29 diluted earnings per share, compared to \$3.5 million, or \$0.23 basic and diluted earnings per share. Please refer to "Use of Non-GAAP Financial Measures" section for the discussion of such measures used in this press release.

Audited Fiscal Year 2021 Highlights (all results compared to the twelve months ended June 30, 2020)

- Revenues increased by 41.0% to \$126.1 million from \$89.4 million.
- Revenue from IT consulting services increased by 40.3% to \$122.3 million from \$87.1 million.
- Revenue from e-Commerce area increased by 72.5% to \$19.2 million from \$11.1 million.
- Revenue from automotive area increased by 132.0% to \$8.5 million from \$3.6 million.
- Operating income increased by 161.2% to \$8.4 million from \$3.2 million.
- Net income increased by 127.9% to \$7.0 million from \$3.1 million.
- Net income attributable to CLPS Incorporation's shareholders increased by 132.0% to \$6.8 million, or \$0.39 basic and diluted earnings per share, compared to net income attributable to CLPS Incorporation's shareholders of \$2.9 million, or \$0.20 basic and diluted earnings per share.

- Non-GAAP net income attributable to CLPS Incorporation's shareholders¹ increased by 72.1% to \$11.9 million, or \$0.69 basic and \$0.68 diluted earnings per share, compared to \$6.9 million, or \$0.47 basic and diluted earnings per share. Please refer to "Use of Non-GAAP Financial Measures" section for the discussion of such measures used in this press release.
- Number of clients increased by 10.6% to 251 from 227.
- Revenues from top five clients accounted for 45.7% of total revenue, from 47.3% over the previous year period, which reflects decreased in revenue dependence from major clients.

Mr. Raymond Lin, Co-Founder and Chief Executive Officer of CLPS, commented, "Our second half and full year of fiscal 2021 results affirm the unquestionable value proposition we deliver to our clients and the success of our pipelined strategies. We continued to execute our 'dual-engine' development strategy through the improvement of our technology and product capabilities while maintaining the organic growth of our business."

"We entered into several investments in our commitment to contribute in the digital trend of global finance and to further improve our product roadmap for banking and other financial institutions. Our controlling interest in CLPS – Beefinance, allowed us to navigate into blockchain-based solutions with focused on digital asset for financial institutions such as custody, exchange, payment, and non-fungible token (NFT) distribution platforms."

"In pursuit of supporting our clients' digital transformation journey, our i-Lab, the Company's R&D arm, has been rendering positive results on its research efforts in advanced technologies such as big data, robotic process automation, and artificial intelligence. We also developed a new generation of credit card system, which is powered by distributed microservices and unitized concepts; and can be deployed to cloud native. Now on its pilot phase, the enterprise edition is expected to be launched early next year."

"As we previously highlighted, CLPS has been aggressive on its global expansion strategy. We gained IT services contracts in the U.S. from major players in e-commerce industry, jumpstarting our U.S. revenue during the fiscal year 2021. Meanwhile, the recent establishment of CLPS Philippines enabled us to further expand our footprint in international market. Furthermore, we underwent corporate restructuring in order to increase our business efficiency. We implemented corporate consolidation and hired senior advisors with extensive experience from top tier financial institutions to guide and streamline our current and business trajectory."

"Moving into the fiscal year 2022, we remain committed to delivering professional IT services and innovative products by leveraging our current and prospect resources. We are confident that our strategies will further mobilize our growth, thus providing long-term values to our shareholders," concluded Mr. Lin.

Ms. Rui Yang, Chief Financial Officer of CLPS, commented, "Our strong IT service delivery capabilities sustained our top-line growth, resulting in a 44.6% and 41.0% revenue growth in the second half and full year of fiscal 2021, respectively. In addition, our continuous improved operational efficiency delivered a robust growth in our bottom-line. Our net income significantly increased by triple digits of 166.0% and 127.9% in the second half and full year of fiscal 2021, respectively. Going forward, we will pursue more IT consulting and solution services investments that we can synergize into our core business and develop

innovative products and services. We believe that our diversified services and advanced IT products will strengthen our long-term competitive advantage and edge over our competitors."

Unaudited Second Half of Fiscal Year 2021 Financial Results

Revenues

In the second half of fiscal 2021, revenues increased by \$20.9 million, or 44.6%, to \$67.7 million from \$46.8 million in the prior year period. The increase in revenue was mainly due to the increase in IT consulting services revenue.

Revenues by Service

- Revenue from IT consulting services increased by \$19.7 million, or 43.2%, to \$65.2 million in the second half of fiscal year 2021 from \$45.5 million in the prior year period. Revenue from IT consulting services accounted for 96.3% of total revenue, compared to 97.2% in the prior year period. The increase was due to the increased demand from existing and new clients; and our improved capability of service delivery.
- Revenue from customized IT solution services increased by \$1.0 million, or 81.0%, to \$2.1 million and accounted for 3.1% of total revenue in the second half of fiscal year 2021, up from \$1.1 million, or 2.4% of total revenue in the prior year period. The increase was primarily due to the increased demand from existing clients.
- Revenue from other services increased by \$0.3 million, or 179.5%, to \$0.5 million and accounted for 0.7% of total revenue in the second half of fiscal year 2021, up from \$0.2 million, or 0.3% of total revenue in the prior year period. The increase was primarily due to the increased demand for other services, including headhunting service.

Revenues by Operational Areas

- Revenue from banking area increased by \$8.3 million, or 36.3% to \$31.2 million in the second half of fiscal 2021 from \$22.9 million in the prior year period. Revenue from banking area accounted for 46.1% and 48.9% of total revenues in the second half of fiscal 2021 and 2020, respectively.
- Revenue from wealth management area increased by \$4.0 million, or 40.1% to \$13.8 million in the second half of fiscal 2021 from \$9.8 million in the prior year period. Revenue from wealth management area accounted for 20.3% and 21.0% of total revenues in the second half of fiscal 2021 and 2020, respectively.
- Revenue from e-Commerce area increased by \$5.8 million, or 101.2% to \$11.5 million in the second half of fiscal 2021 from \$5.7 million in the prior year period. Revenue from e-Commerce area accounted for 17.0% and 12.2% of total revenues in the second half of fiscal 2021 and 2020, respectively.
- Revenue from automotive area increased by \$3.4 million, or 204.5% to \$5.0 million in the second half of fiscal 2021 from \$1.6 million in the prior year period. Revenue from automotive area accounted for 7.4% and 3.5% of total revenues in the second half of fiscal 2021 and 2020, respectively.

Revenues by Geography

- Revenue generated outside of mainland China increased by 10.4% to \$6.9 million in the second half of fiscal year 2021 from \$6.3 million in the prior year period. The increase in revenue generated outside mainland China reflects the Company's successful and continuous global expansion strategy.

Gross Profit

Gross profit increased by \$6.0 million, or 37.8%, to \$21.7 million in the second half of fiscal year 2021 from \$15.7 million in the prior year period.

Operating Expenses

Selling and marketing expenses increased by \$0.3 million, or 18.3%, to \$2.0 million in the second half of fiscal 2021 from \$1.7 million in the prior year period. The increase was primarily due to the increase of salary expenses as new staff were hired to improve the Company's capability of service delivery to meet clients' demand. As a percentage of total revenues, selling and marketing expenses decreased to 2.9% in the second half of fiscal 2021 compared to 3.5% in the prior year period. The decrease was primarily due to the increased in operational efficiency as a result of economies of scale.

Research and development expenses increased by \$1.8 million, or 32.5%, to \$7.2 million in the second half of fiscal 2021 from \$5.4 million in the prior year period. The increase primarily resulted from the establishment of new research projects and the Company's continued R&D efforts in big data, cloud computing, blockchain, robotic process automation (RPA) and artificial intelligence (AI). As a percentage of total revenues, research and development expenses decreased to 10.6% in the second half of fiscal 2021 compared to 11.6% in the prior year period. The decrease was primarily due to the increase in operational efficiency as a result of economies of scale.

General and administrative expenses increased by \$1.8 million, or 20.2%, to \$10.2 million in the second half of fiscal 2021 from \$8.4 million in the prior year period. The increase was primarily due to the increase of non-cash share-based compensation expenses and general and administrative personnel related expenses. After excluding the non-cash share-based compensation expenses, non-GAAP general and administrative expenses² increased by \$0.9 million, or 15.3%, to \$6.6 million in the second half of fiscal 2021 from \$5.7 million in the prior year period. As a percentage of total revenues, general and administrative expenses decreased to 15.0% in the second half of fiscal 2021 compared to 18.0% in the prior year period. The decrease was primarily due to the increase in operational efficiency as result of economies of scale and refined management.

Operating Income

Operating income increased by \$2.7 million, or 417.9%, to \$3.4 million in the second half of fiscal year 2021 from \$0.7 million in the same period of the previous year. Operating margin was 5.1% in the second half of fiscal 2021, compared to 1.4% in the prior year period.

Other Income and Expenses

Total other expenses, net of other income was \$0.2 million in the second half of fiscal 2021, compared to \$0.5 million total other income, net of other expenses in the prior year period.

Provision for Income Taxes

Provision for income taxes increased by \$0.8 million to \$1.2 million in the second half of fiscal 2021 from \$0.4 million in the same period of the previous year, mainly due to recognition of deferred tax liability related to the dividend of the Company's subsidiary.

Net Income and EPS

Net income for the second half of fiscal 2021 increased by \$1.3 million, or 166.0%, to \$2.1 million from \$0.8 million in the prior year period. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income³ increased by \$2.0 million, or 53.7%, to \$5.7 million in the second half of fiscal 2021 from \$3.7 million in the same period of the previous year.

After excluding the impact of noncontrolling interests, net income attributable to CLPS Incorporation's shareholders in the second half of fiscal 2021 was \$2.0 million, or \$0.11 basic and \$0.10 diluted earnings per share, compared to net income attributable to CLPS Incorporation's shareholders of \$0.6 million, or \$0.04 basic and diluted earnings per share, in the second half of fiscal 2020. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income attributable to CLPS Incorporation's shareholders¹ in the second half of fiscal 2021 was \$5.6 million, or \$0.30 basic and \$0.29 diluted earnings per share, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$3.5 million, or \$0.23 basic and diluted earnings per share, in the second half of fiscal 2020.

Audited Fiscal Year 2021 Financial Results

Revenues

In the fiscal year 2021, revenues increased by \$36.7 million, or 41.0%, to \$126.1 million from \$89.4 million in the prior year period. The increase in revenue was mainly due to the increase in IT consulting services revenue.

Revenues by Service

- Revenue from IT consulting services increased by \$35.2 million, or 40.3%, to \$122.3 million in the fiscal year 2021 from \$87.1 million in the prior year period. Revenue from IT consulting services accounted for 97.0% of total revenue, compared to 97.5% in the prior year period. The increase was due to the increased demand from existing and new clients; and our improved capability of service delivery.
- Revenue from customized IT solution services increased by \$1.3 million, or 69.7%, to \$3.1 million and accounted for 2.5% of total revenue in the fiscal year 2021, up from \$1.8 million, or 2.1% of total revenue in the prior year period. The increase was primarily due to the increased demand from existing clients.
- Revenue from other services increased by \$0.3 million, or 51.5%, to \$0.7 million and accounted for 0.5% of total revenue in the fiscal year 2021, up from \$0.4 million, or 0.5% of total revenue in the prior year period. The increase was primarily due to the increased demand for other services, including headhunting service.

Revenues by Operational Areas

- Revenue from banking area increased by \$15.5 million, or 34.8% to \$60.0 million in the fiscal year 2021 from \$44.5 million in the prior year period. Revenue from banking area accounted for 47.6% and 49.8% of total revenues in the fiscal year 2021 and 2020, respectively.
- Revenue from wealth management area increased by \$6.0 million, or 31.2% to \$25.2 million in the fiscal year 2021 from \$19.2 million in the prior year period. Revenue from wealth management area accounted for 20.0% and 21.5% of total revenues in the fiscal year 2021 and 2020, respectively.
- Revenue from e-Commerce area increased by \$8.1 million, or 72.5% to \$19.2 million in the fiscal year 2021 from \$11.1 million in the prior year period. Revenue from e-Commerce area accounted for 15.2% and 12.4% of total revenues in the fiscal year 2021 and 2020, respectively.
- Revenue from automotive area increased by \$4.9 million, or 132.0% to \$8.5 million in the fiscal year 2021 from \$3.6 million in the prior year period. Revenue from automotive area accounted for 6.7% and 4.1% of total revenues in the fiscal year 2021 and 2020, respectively.

Revenues by Geography

- Revenue generated outside of mainland China increased by 28.1% to \$13.6 million in the fiscal year 2021 from \$10.6 million in the prior year period. The increase in revenue generated outside of mainland China reflects the Company's successful and continuous global expansion strategy.

Gross Profit

Gross profit increased by \$9.1 million, or 29.1%, to \$40.2 million in the fiscal year 2021 from \$31.1 million in the prior year period.

Operating Expenses

Selling and marketing expenses increased by \$0.7 million, or 22.7%, to \$3.8 million in the fiscal year 2021 from \$3.1 million in the prior year period. The increase was primarily due to the increase of salary expenses as new staff were hired in order to improve the Company's capability of service delivery to meet clients' demand. As a percentage of total revenues, selling and marketing expenses decreased to 3.0% in the fiscal year 2021 compared to 3.4% in the prior year period. The decrease reflects an increase in operational efficiency as a result of economies of scale.

Research and development expenses increased by \$2.9 million, or 27.8%, to \$13.3 million in the fiscal year 2021 from \$10.4 million in the prior year period. The increase primarily resulted from the establishment of new research projects and the Company's continued R&D efforts in big data, cloud computing, blockchain, robotic process automation (RPA) and artificial intelligence (AI). As a percentage of total revenues, research and development expenses decreased to 10.6% in the fiscal year 2021 compared to 11.7% in the prior year period. The decrease reflects an increase in operational efficiency as a result of economies of scale.

General and administrative expenses increased by \$0.5 million, or 2.7%, to \$16.8 million in the fiscal year 2021 from \$16.3 million in the prior year period. The increase was primarily due to the increase of non-cash share-based compensation expenses. After excluding the non-cash share-based compensation expenses, non-GAAP general and administrative expenses² decreased by \$0.8 million, or 6.2%, to \$11.8 million in fiscal year 2021 from \$12.6 million in the prior year period. As a percentage of total revenues, general and administrative expenses decreased to 13.3% in the fiscal year 2021 compared to 18.3% in

the prior year period. The decrease reflects an increase in operational efficiency as result of economies of scale and refined management.

Operating Income

Operating income increased by \$5.2 million, or 161.2%, to \$8.4 million in the fiscal year 2021 from \$3.2 million in the same period of the previous year. Operating margin was 6.6% in the fiscal year 2021, compared to 3.6% in the prior year period.

Other Income and Expenses

Total other expenses, net of other income was \$0.1 million in the fiscal year 2021, compared to \$0.5 million total other income, net of other expenses in the prior year period.

Provision for Income Taxes

Provision for income taxes increased by \$0.5 million to \$1.3 million in the fiscal year 2021 from \$0.8 million in the same period of the previous year, mainly due to recognition of deferred tax liability related to the dividend of the Company's subsidiary.

Net Income and EPS

Net income for the fiscal year 2021 increased by \$3.9 million, or 127.9%, to \$7.0 million from \$3.1 million in the prior year period. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income³ increased by \$5.0 million, or 71.5%, to \$12.1 million in the fiscal year 2021 from \$7.1 million in the same period of the previous year.

After excluding the impact of noncontrolling interests, net income attributable to CLPS Incorporation's shareholders in the fiscal year 2021 was \$6.8 million, or \$0.39 basic and diluted earnings per share, compared to net income attributable to CLPS Incorporation's shareholders of \$2.9 million, or \$0.20 basic and diluted earnings per share in fiscal year 2020. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income attributable to CLPS Incorporation's shareholders¹ in the fiscal year 2021 was \$11.9 million, or \$0.69 basic and \$0.68 diluted earnings per share, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$6.9 million, or \$0.47 basic and diluted earnings per share in the fiscal year 2020.

Cash Flow

As of June 30, 2021, the Company had cash and cash equivalents of \$24.7 million compared to \$12.7 million as of June 30, 2020.

Net cash used in operating activities was \$2.6 million for the twelve months ended June 30, 2021. Net cash used in investing activities was \$5.6 million. Net cash provided by financing activities was approximately \$19.3 million. The effect of exchange rate change on cash was approximately positive \$1.0 million. The Company believes that its current cash position and cash flow from operations are sufficient to meet its anticipated cash needs for at least the next 12 months.

Financial Outlook

For fiscal year 2022, the Company expects, absent material acquisitions or non-recurring transactions,

total sales growth in the range of approximately 30% to 35%, non-GAAP net income growth in the range of approximately 32% to 37% compared to fiscal year 2021 financial results.

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

Exchange Rate

The balance sheet amounts with the exception of equity as of June 30, 2021, were translated at 6.4566 RMB to 1.00 USD 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 periods 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.

Conference Call Information

The Company will hold a conference call at 8:30 am ET on October 15, 2021 to discuss second half and full year of fiscal 2021 results. Listeners may access the call by dialing:

U.S. Toll-Free: +1-888-204-4368

U.S. Local/International: +1-323-994-2093

Mainland China: 400 120 9101

Hong Kong: 800 961 384

To access the live webcast of the conference call, please visit [this link](#). The live and archived webcast will also be available through the Company's investor relations website at <https://ir.clpsglobal.com/>.

A replay of the call will be available through October 29, 2021 by dialing:

U.S. Toll-Free: +1-844-512-2921

U.S. Local/International: +1-412-317-6671

Passcode: 6765992

About CLPS Incorporation

Headquartered in Hong Kong, CLPS Incorporation (the "Company") (Nasdaq: CLPS) is a global leading

information technology ("IT"), consulting and solutions service provider focusing on the banking, insurance and financial sectors. The Company serves as an IT solutions provider to a growing network of clients in the global financial industry, including large financial institutions in the US, Europe, Australia, Southeast Asia and Hong Kong, and their PRC-based IT centers. The Company maintains 19 delivery and/or research & development centers to serve different customers in various geographic locations. Mainland China centers are located in Shanghai, Beijing, Dalian, Tianjin, Baoding, Xi'an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan. The remaining eight global centers are located in Hong Kong SAR, USA, Japan, Singapore, Malaysia, Australia, India, and the Philippines. For further information regarding the Company, please visit: <https://ir.clpsglobal.com/>, or follow CLPS on [Facebook](#), [LinkedIn](#), and [Twitter](#).

Forward-Looking Statements

Certain of the statements made in this press release are "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All such statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties related to the Company's financial and operational performance in the second half and full year of fiscal 2021, its expectations of the Company's future performance, its preliminary outlook and guidance offered in this presentation, as well as the risks and uncertainties described in the Company's most recently filed SEC reports and filings. Such reports are available upon request from the Company, or from the Securities and Exchange Commission, including through the SEC's Internet website at <http://www.sec.gov>. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date hereof, or after the respective dates on which any such statements otherwise are made.

Use of Non-GAAP Financial Measures

The consolidated financial information is prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except that the consolidated statement of changes in shareholders' equity, consolidated statements of cash flows, and the detailed notes have not been presented. The Company uses non-GAAP operating income, non-GAAP general and administrative expenses, non-GAAP operating margin, non-GAAP net income attributable to CLPS Incorporation's shareholders, and basic and diluted non-GAAP net income per share, which are non-GAAP financial measures. Non-GAAP operating income is operating income excluding share-based compensation expenses. Non-GAAP general and administrative expenses is a non-GAAP financial measure, which is defined as general and administrative expenses excluding share-based compensation expenses. Non-GAAP operating margin is non-GAAP operating income as a percentage of revenues. Non-GAAP net income attributable to CLPS Incorporation's shareholders is net income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Basic and diluted

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

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

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- ¹ Non-GAAP net income attributable to CLPS Incorporation's shareholders is a non-GAAP financial measure, which is defined as net income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details.
- ² Non-GAAP general and administrative expenses is a non-GAAP financial measure, which is defined as general and administrative expenses excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details.
- ³ Non-GAAP net income is a non-GAAP financial measure, which is defined as net income excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details

CLPS INCORPORATION

CONSOLIDATED BALANCE SHEETS

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

| | As of June 30, | As of December |
|--|-----------------------|-----------------------|
| | 2021 | 31, |
| | (Audited) | 2020 |
| | (Unaudited) | (Unaudited) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 24,739,382 | \$ 25,981,167 |
| Short-term investments | 4,158,535 | - |
| Accounts receivable, net | 44,138,997 | 31,205,299 |
| Prepayments, deposits and other assets, net | 2,530,458 | 1,545,239 |
| Prepaid income tax | - | 884,720 |
| Amounts due from related parties | 546,128 | - |
| Total Current Assets | 76,113,500 | 59,616,425 |
| Non-Current assets: | | |
| Property and equipment, net | 600,791 | 585,079 |
| Intangible assets, net | 1,050,499 | 1,202,449 |
| Goodwill | 2,444,950 | 2,234,615 |
| Long-term investments | 1,014,784 | 900,091 |
| Prepayments, deposits and other assets, net | 896,145 | 537,063 |
| Deferred tax assets, net | 607,773 | 448,154 |
| Total Assets | \$ 82,728,442 | \$ 65,523,876 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Bank loans | \$ 7,536,839 | \$ 5,005,402 |
| Accounts payable | 559,450 | 535,055 |
| Accrued expenses and other current liabilities | 245,408 | 238,456 |
| Tax payables | 1,715,009 | 1,626,017 |
| Contract liabilities | 326,912 | 868,222 |
| Salaries and benefits payable | 12,466,921 | 19,472,224 |
| Amounts due to related party | 183,148 | 67,918 |
| Total Current Liabilities | 23,033,687 | 27,813,294 |
| Non-Current liabilities: | | |
| Bank loans | 9,644 | 16,925 |
| Deferred tax liabilities | 155,033 | 143,846 |
| Other non-current liabilities | 1,799,383 | 311,923 |
| TOTAL LIABILITIES | 24,997,747 | 28,285,988 |
| Commitments and Contingencies | | |

| | | |
|---|----------------------|----------------------|
| Shareholders' Equity | | |
| Common stock, \$0.0001 par value, 100,000,000 shares authorized; 20,293,552 shares issued and outstanding as of June 30, 2021; | | |
| 16,345,053 shares issued and outstanding as of December 31, 2020 | 2,029 | 1,635 |
| Additional paid-in capital | 48,516,695 | 30,081,334 |
| Statutory reserves | 4,214,075 | 2,954,993 |
| Retained earnings | 2,726,165 | 2,028,791 |
| Accumulated other comprehensive income | 1,230,083 | 770,144 |
| | <u>56,689,047</u> | <u>35,836,897</u> |
| Total CLPS Incorporation Shareholders' Equity | | |
| Noncontrolling Interests | 1,041,648 | 1,400,991 |
| | <u>57,730,695</u> | <u>37,237,888</u> |
| Total Shareholders' Equity | | |
| Total Liabilities and Shareholders' Equity | <u>\$ 82,728,442</u> | <u>\$ 65,523,876</u> |

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

| | For the six months ended | |
|--|--------------------------|-------------------|
| | June 30, | |
| | 2021 | 2020 |
| Revenues | \$ 67,743,485 | \$ 46,847,534 |
| Less: Cost of revenues (note 1) | (46,050,474) | (31,104,457) |
| Gross profit | 21,693,011 | 15,743,077 |
| Operating income (expenses): | | |
| Selling and marketing expenses (note 1) | (1,959,429) | (1,655,650) |
| Research and development expenses | (7,176,725) | (5,416,455) |
| General and administrative expenses (note 1) | (10,155,688) | (8,446,840) |
| Subsidies and other operating income | 1,041,167 | 440,533 |
| Total operating expenses | (18,250,675) | (15,078,412) |
| Income from operations | 3,442,336 | 664,665 |
| Other income | 149,323 | 535,927 |
| Other expenses | (301,821) | (77,229) |
| Income before income tax and share of income (loss) in equity investees | 3,289,838 | 1,123,363 |
| Provision for income taxes | 1,164,910 | 446,601 |
| Income before share of income (loss) in equity investees | 2,124,928 | 676,762 |
| Share of (loss) income in equity investees, net of tax | (37,994) | 107,895 |
| Net income | 2,086,934 | 784,657 |
| Less: Net income attributable to noncontrolling interests | 130,478 | 215,359 |
| Net income attributable to CLPS Incorporation’s shareholders | \$ 1,956,456 | \$ 569,298 |
| Other comprehensive income (loss) | | |
| Foreign currency translation income (loss) | \$ 468,792 | \$ (432,198) |
| Less: foreign currency translation income (loss) attributable to noncontrolling interest | 8,853 | (30,277) |
| Other comprehensive income (loss) attributable to CLPS Incorporation’s shareholders | \$ 459,939 | \$ (401,921) |
| Comprehensive income attributable to CLPS Incorporation’s shareholders | | |
| | \$ 2,416,395 | \$ 167,377 |
| Comprehensive income attributable to noncontrolling interests | 139,331 | 184,562 |

| | | | | |
|--|-----------|------------------|-----------|----------------|
| Comprehensive income | \$ | 2,555,726 | \$ | 351,939 |
| | | | | |
| Basic earnings per common share | \$ | 0.11 | \$ | 0.04 |
| Weighted average number of share outstanding – basic | | 18,514,807 | | 15,169,655 |
| Diluted earnings per common share | \$ | 0.10 | \$ | 0.04 |
| Weighted average number of share outstanding – diluted | | 19,097,170 | | 15,212,010 |
| Note: | | | | |
| (1) Includes share-based compensation expenses as follows: | | | | |
| Cost of revenues | | 4,221 | | 9,042 |
| Selling and marketing expenses | | 42,556 | | 181,257 |
| General and administrative expenses | | 3,586,593 | | 2,747,132 |

CLPS INCORPORATION
RECONCILIATION OF NON-GAAP AND GAAP RESULTS

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

| | For the six months ended | |
|--|--------------------------|------------------------|
| | June 30, | |
| | 2021 (Unaudited) | 2020 (Unaudited) |
| Cost of revenues | \$ (46,050,474) | \$ (31,104,457) |
| Less: share-based compensation expenses | (4,221) | (9,042) |
| Non-GAAP cost of revenues | \$ (46,046,253) | \$ (31,095,415) |
| Selling and marketing expenses | \$ (1,959,429) | \$ (1,655,650) |
| Less: share-based compensation expenses | (42,556) | (181,257) |
| Non-GAAP selling and marketing expenses | \$ (1,916,873) | \$ (1,474,393) |
| General and administrative expenses | \$ (10,155,688) | \$ (8,446,840) |
| Less: share-based compensation expenses | (3,586,593) | (2,747,132) |
| Non-GAAP general and administrative expenses | \$ (6,569,095) | \$ (5,699,708) |
| Operating income | \$ 3,442,336 | \$ 664,665 |
| Add: share-based compensation expenses | 3,633,370 | 2,937,431 |
| Non-GAAP operating income | \$ 7,075,706 | \$ 3,602,096 |
| Operating margin | 5.1% | 1.4% |
| Add: share-based compensation expenses | 5.3% | 6.3% |
| Non-GAAP operating margin | 10.4% | 7.7% |
| Net income | \$ 2,086,934 | \$ 784,657 |
| Add: share-based compensation expenses | 3,633,370 | 2,937,431 |
| Non-GAAP net income | \$ 5,720,304 | \$ 3,722,088 |
| Net income attributable to CLPS Incorporation's shareholders | \$ 1,956,456 | \$ 569,298 |

| | | | | |
|--|----|-----------|----|-----------|
| Add: share-based compensation expenses | | 3,633,370 | | 2,937,431 |
| Non-GAAP net income attributable to CLPS Incorporation's shareholders | \$ | 5,589,826 | \$ | 3,506,729 |

| | | | | |
|--|----|------------|----|------------|
| Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings | | 18,514,807 | | 15,169,655 |
| GAAP basic earnings per common share | \$ | 0.11 | \$ | 0.04 |
| Add: share-based compensation expenses | | 0.19 | | 0.19 |
| Non-GAAP basic earnings per common share | \$ | 0.30 | \$ | 0.23 |

| | | | | |
|---|--|------------|--|------------|
| Weighted average number of share outstanding used in computing GAAP diluted earnings | | 19,097,170 | | 15,212,010 |
| Weighted average number of share outstanding used in computing non-GAAP diluted earnings | | 19,097,170 | | 15,212,010 |

| | | | | |
|---|----|------|----|------|
| GAAP diluted earnings per common share | \$ | 0.10 | \$ | 0.04 |
| Add: share-based compensation expenses | | 0.19 | | 0.19 |
| Non-GAAP diluted earnings per common share | \$ | 0.29 | \$ | 0.23 |

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

| | As of June 30, | |
|--|----------------------|----------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Current assets: | | |
| 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 |
| Total Current Assets | 76,113,500 | 40,508,842 |
| Non-current assets: | | |
| 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 |
| Total Assets | \$ 82,728,442 | \$ 45,352,358 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| 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 | - |
| Total Current Liabilities | 23,033,687 | 16,354,342 |
| Non-current liabilities | | |
| Bank loans | 9,644 | 22,554 |
| Deferred tax liabilities | 155,033 | 163,163 |
| Other non-current liabilities | 1,799,383 | 194,939 |
| TOTAL LIABILITIES | 24,997,747 | 16,734,998 |
| Commitments and Contingencies | | |

Shareholders' Equity

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) |
| Total CLPS Incorporation's Shareholders' Equity | 56,689,047 | 27,348,644 |
| Noncontrolling Interests | 1,041,648 | 1,268,716 |
| Total Shareholders' Equity | 57,730,695 | 28,617,360 |
| Total Liabilities and Shareholders' Equity | \$ 82,728,442 | \$ 45,352,358 |

CLPS INCORPORATION
AUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

| | For the years ended | |
|---|----------------------------|----------------------|
| | June 30, | |
| | 2021 | 2020 |
| Revenues | \$ 126,061,693 | \$ 89,415,798 |
| Less: Cost of revenues (note 1) | (85,890,757) | (58,296,097) |
| Gross profit | 40,170,936 | 31,119,701 |
| Operating income (expenses): | | |
| Selling and marketing expenses (note 1) | (3,753,236) | (3,059,877) |
| Research and development expenses | (13,337,913) | (10,436,975) |
| General and administrative expenses (note 1) | (16,784,688) | (16,343,936) |
| Subsidies and other operating income | 2,080,087 | 1,927,230 |
| Total operating expenses | (31,795,750) | (27,913,558) |
| Income from operations | 8,375,186 | 3,206,143 |
| Other income | 296,319 | 608,638 |
| Other expenses | (351,045) | (107,322) |
| Income before income tax and share of income (loss) in equity investees | | |
| | 8,320,460 | 3,707,459 |
| Provision for income taxes | 1,257,124 | 835,444 |
| Income before share of income (loss) in equity investees | 7,063,336 | 2,872,015 |
| Share of (loss) income in equity investees, net of tax | (44,121) | 207,363 |
| Net income | 7,019,215 | 3,079,378 |
| Less: Net income attributable to noncontrolling interests | 202,643 | 141,139 |
| Net income attributable to CLPS Incorporation’s shareholders | \$ 6,816,572 | \$ 2,938,239 |
| Other comprehensive income (loss) | | |
| Foreign currency translation income (loss) | \$ 2,695,223 | \$ (571,943) |
| Less: foreign currency translation income (loss) attributable to noncontrolling interests | 102,475 | (22,928) |
| Other comprehensive income (loss) attributable to CLPS Incorporation’s shareholders | \$ 2,592,748 | \$ (549,015) |

| Comprehensive income attributable to | | |
|---|---------------------|---------------------|
| CLPS Incorporation's shareholders | \$ 9,409,320 | \$ 2,389,224 |
| Comprehensive income attributable to noncontrolling interests | 305,118 | 118,211 |
| Comprehensive income | \$ 9,714,438 | \$ 2,507,435 |
| <hr/> <hr/> | | |
| Basic earnings per common share | \$ 0.39 | \$ 0.20 |
| Weighted average number of share outstanding – basic | 17,279,443 | 14,689,224 |
| Diluted earnings per common share | \$ 0.39 | \$ 0.20 |
| Weighted average number of share outstanding – diluted | 17,569,440 | 14,692,299 |
| <hr/> <hr/> | | |
| Note: | | |
| <hr/> <hr/> | | |
| (1) Includes share-based compensation expenses as follows: | | |
| Cost of revenues | 8,403 | 14,110 |
| Selling and marketing expenses | 122,087 | 211,573 |
| General and administrative expenses | 4,998,206 | 3,778,397 |
| | <hr/> <hr/> | <hr/> <hr/> |

CLPS INCORPORATION
RECONCILIATION OF NON-GAAP AND GAAP RESULTS

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

| | For the years ended | |
|--|----------------------------|------------------------|
| | June 30, | |
| | 2021 | 2020 |
| | <hr/> | <hr/> |
| Cost of revenues | \$ (85,890,757) | \$ (58,296,097) |
| Less: share-based compensation expenses | (8,403) | (14,110) |
| Non-GAAP cost of revenues | \$ (85,882,354) | \$ (58,281,987) |
| Selling and marketing expenses | \$ (3,753,236) | \$ (3,059,877) |
| Less: share-based compensation expenses | (122,087) | (211,573) |
| Non-GAAP selling and marketing expenses | \$ (3,631,149) | \$ (2,848,304) |
| General and administrative expenses | \$ (16,784,688) | \$ (16,343,936) |
| Less: share-based compensation expenses | (4,998,206) | (3,778,397) |
| Non-GAAP general and administrative expenses | \$ (11,786,482) | \$ (12,565,539) |
| Operating income | \$ 8,375,186 | \$ 3,206,143 |
| Add: share-based compensation expenses | 5,128,696 | 4,004,080 |
| Non-GAAP operating income | \$ 13,503,882 | \$ 7,210,223 |
| Operating Margin | 6.6% | 3.6% |
| Add: share-based compensation expenses | 4.1% | 4.5% |
| Non-GAAP operating margin | 10.7% | 8.1% |
| Net income | \$ 7,019,215 | \$ 3,079,378 |
| Add: share-based compensation expenses | 5,128,696 | 4,004,080 |
| Non-GAAP net income | \$ 12,147,911 | \$ 7,083,458 |
| Net income attributable to CLPS Incorporation's shareholders | \$ 6,816,572 | \$ 2,938,239 |
| Add: share-based compensation expenses | 5,128,696 | 4,004,080 |
| Non-GAAP net income attributable to CLPS Incorporation's shareholders | \$ 11,945,268 | \$ 6,942,319 |

| | | | | |
|---|----|-------------|----|-------------|
| Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings | | 17,279,443 | | 14,689,224 |
| GAAP basic earnings per common share | \$ | 0.39 | \$ | 0.20 |
| Add: share-based compensation expenses | | 0.30 | | 0.27 |
| Non-GAAP basic earnings per common share | \$ | <u>0.69</u> | \$ | <u>0.47</u> |

| | | | | |
|--|--|------------|--|------------|
| Weighted average number of share outstanding used in computing GAAP diluted earnings | | 17,569,440 | | 14,692,299 |
| Weighted average number of share outstanding used in computing non-GAAP diluted earnings | | 17,569,440 | | 14,692,299 |

| | | | | |
|---|----|-------------|----|-------------|
| GAAP diluted earnings per common share | \$ | 0.39 | \$ | 0.20 |
| Add: share-based compensation expenses | | 0.29 | | 0.27 |
| Non-GAAP diluted earnings per common share | \$ | <u>0.68</u> | \$ | <u>0.47</u> |