

CLPS Incorporation Reports Financial Results for the Second Half and Full Year of Fiscal 2022

HONG KONG, Oct. 20, 2022 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), today announced its financial results for the six months ended June 30, 2022 and full year of fiscal year 2022.

Unaudited Second Half of Fiscal 2022 Highlights (all results compared to the six months ended June 30, 2021)

- Revenues increased by 12.3% to \$76.1 million from \$67.7 million.
- Revenue from IT consulting services increased by 10.6% to \$72.1 million from \$65.2 million.
- Revenue from customized IT solution services increased by 67.9% to \$3.5 million from \$2.1 million.
- Revenue from wealth management area increased by 23.5% to \$17.0 million from \$13.8 million.
- Revenue from e-Commerce area increased by 30.3% to \$15.0 million from \$11.5 million.

Audited Fiscal Year 2022 Highlights (all results compared to the twelve months ended June 30, 2021)

- Revenues increased by 20.6% to \$152.0 million from \$126.1 million.
- Revenue from IT consulting services increased by 17.8% to \$144.1 million from \$122.3 million.
- Revenue from customized IT solution services increased by 115.2% to \$6.7 million from \$3.1 million.
- Revenue from wealth management area increased by 27.5% to \$32.1 million from \$25.2 million.
- Revenue from e-Commerce area increased by 53.5% to \$29.4 million from \$19.2 million.
- Revenue generated from the United States market increased by 2,443.1% to \$0.9 million from \$34.7 thousand.
- Operating income decreased by 11.6% to \$7.4 million from \$8.4 million. Non-GAAP operating income¹ increased by 8.0% to \$14.6 million from \$13.5 million.
- EBITDA² decreased by 3.0% to \$8.8 million from \$9.1 million. Non-GAAP EBITDA³ increased by 12.6% to \$16.0 million from \$14.2 million.
- Net cash provided by operating activities was \$3.2 million compared to net cash used in operating activities of \$2.6 million.
- Number of clients increased by 5.6% to 265 from 251.

Mr. Raymond Lin, Chief Executive Officer of CLPS, commented, "In fiscal year 2022, we continued to achieve good results primarily driven by the success of our dual-engine strategy. We are pleased with the

underlying strength of our core competency in IT consulting services, which enable our clients to grow their businesses, for example through facilitating their digital transformation initiatives. Going forward, we will boost our IT consulting services, including the expansion of our offshore development center (ODC) to offer our clients across the globe with professional IT services as well as provide flexibility to meet their specific needs.

In our previous financial report, we highlighted our plan to strengthen the customized IT solution services to further enhance our financial performance. As a result, we achieved great progress in innovation and business development, such as the successful digital RMB project for a well-known bank in China. Our commitment to investing in advanced IT products and solutions will continue throughout the new fiscal year.

By continuously expanding our global footprint, we were able to better serve our international clients and attract new ones, resulting in an increase in overseas revenue. Particularly, our revenue from the U.S. significantly increased by 2,443.1% year-on-year to \$0.9 million. I am confident that our partners and world-class leadership team will capture the significant global growth opportunity ahead for CLPS.

Overall, our business continues to grow as we achieve yet another record-setting revenue. Despite the prevailing macro environment, such as the challenges we faced during the lockdowns in China due to the resurgence of COVID-19 cases, we kept a clear focus on what could be optimized — driving operational efficiency to ensure we provide the services our clients needed while at the same time attaining profitability and executing our growth strategies.

As we pursue the tremendous opportunity that lies ahead of us, we will focus on driving both near and long-term sustainable growth and profitability. While maintaining our competitive position in providing IT services in banking, we also plan to focus more heavily on wealth management area, which we believe has also the potential to be a major revenue source for us going forward. We can achieve these goals through the execution of our streamlined growth strategies and delivering innovative capabilities to drive shareholder value.” concluded Mr. Lin.

Ms. Rui Yang, Chief Financial Officer of CLPS, commented, "Our fiscal year 2022 results provided exemplary financial resilience with a sustained year-over-year growth of 20.6% in our top line, as well as healthy profitability and positive operating cash flow. Our dual-engine growth strategy continued to boost our revenue, with 17.8% increase in IT consulting services and 115.2% increase in customized IT solution services. Overall, the fiscal year 2022 was a challenging period for CLPS, and yet we are pleased with the continued momentum that we are seeing in our business.”

Unaudited Second Half of Fiscal Year 2022 Financial Results

Revenues

In the second half of fiscal 2022, revenues increased by \$8.4 million, or 12.3%, to \$76.1 million from \$67.7 million in the prior year period. The increase in revenue was mainly due to the increase in IT consulting and customized IT solution services revenues.

Revenues by Service

- In the second half of fiscal year 2022, revenue from IT consulting services increased by \$6.9 million, or 10.6%, to \$72.1 million from \$65.2 million in the prior year period. Revenue from IT consulting services accounted for 94.8% of total revenue, compared to 96.3% 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.
- In the second half of fiscal year 2022, revenue from customized IT solution services increased by \$1.4 million, or 67.9%, to \$3.5 million and accounted for 4.6% of total revenue, up from \$2.1 million, or 3.1% of total revenue in the prior year period. The increase was primarily due to the increased demand from existing and new clients.
- In the second half of fiscal year 2022, revenue from other services increased by \$54.0 thousand, or 11.9%, to \$508.9 thousand and accounted for 0.7% of total revenue, up from \$454.9 thousand, or 0.7% of total revenue in the prior year period. The increase was primarily due to the increased demand for other services, including non-IT consulting service.

Revenues by Operational Areas

- In the second half of fiscal year 2022, revenue from banking area increased by \$1.5 million, or 4.6% to \$32.7 million from \$31.2 million in the prior year period. Revenue from banking area accounted for 42.9% and 46.1% of total revenues in the second half of fiscal 2022 and 2021, respectively.
- In the second half of fiscal year 2022, revenue from wealth management area increased by \$3.2 million, or 23.5% to \$17.0 million from \$13.8 million in the prior year period. Revenue from wealth management area accounted for 22.3% and 20.3% of total revenues in the second half of fiscal 2022 and 2021, respectively.
- In the second half of fiscal year 2022, revenue from e-Commerce area increased by \$3.5 million, or 30.3% to \$15.0 million from \$11.5 million in the prior year period. Revenue from e-Commerce area accounted for 19.7% and 17.0% of total revenues in the second half of fiscal 2022 and 2021, respectively.
- In the second half of fiscal year 2022, revenue from automotive area increased by \$0.4 million, or 7.5% to \$5.4 million from \$5.0 million in the prior year period. Revenue from automotive area accounted for 7.0% and 7.4% of total revenues in the second half of fiscal 2022 and 2021, respectively.

Revenues by Geography

- In the second half of fiscal year 2022, revenue generated outside of mainland China decreased by 6.7% to \$6.5 million from \$6.9 million in the prior year period. The decrease was primarily due to the disposal of one subsidiary.

Gross Profit

In the second half of fiscal year 2022, gross profit decreased by \$3.0 million, or 13.9%, to \$18.7 million from \$21.7 million in the prior year period. The decrease was primarily due to the lockdown in cities where our operations were impacted such as Shanghai, following the resurgence of COVID-19 cases and the

increased prevention costs associated with it.

Operating Expenses

In the second half of fiscal year 2022, selling and marketing expenses decreased by \$0.2 million, or 7.2%, to \$1.8 million from \$2.0 million in the prior year period. As a percentage of total revenues, selling and marketing expenses decreased to 2.4% in the second half of fiscal 2022 compared to 2.9% in the prior year period. The decrease was primarily due to a reduced in business activities in the cities affected by lockdown in mainland China.

In the second half of fiscal year 2022, research and development expenses decreased by \$3.4 million, or 47.1%, to \$3.8 million from \$7.2 million in the prior year period. As a percentage of total revenues, research and development expenses decreased to 5.0% in the second half of fiscal 2022 compared to 10.6% in the prior year period. The decrease was primarily due to the optimization of our R&D staff structure, which involved allocating a number of our R&D staff to deliver IT services to meet the increased demand from clients.

In the second half of fiscal year 2022, general and administrative expenses increased by \$3.7 million, or 36.6%, to \$13.9 million from \$10.2 million in the prior year period. As a percentage of total revenues, general and administrative expenses increased to 18.2% in the second half of fiscal 2022 compared to 15.0% in the prior year period. The increase was primarily due to the hiring of management-level employees to further drive our growth in the overseas market, the increase of non-cash share-based compensation expenses, the year-over-year increase in employee salary, and the increase in depreciation and amortization resulting from the acquisition of fixed assets in Hong Kong and Singapore.

Operating (Loss) Income

In the second half of fiscal year 2022, operating loss was \$0.2 million from operating income of \$3.4 million in the same period of the previous year. Operating margin was -0.2% compared to 5.1% in the prior year period. The decrease was primarily due to the lockdown in cities where our operations were impacted such as Shanghai, following the resurgence of COVID-19 cases and the increased prevention costs associated with it, the hiring of management-level employees to further drive our growth in the overseas market, and the increase of non-cash share based compensation expenses.

Other Income and Expenses

In the second half of fiscal year 2022, total other income, net of other expenses was \$0.5 million compared to \$0.2 million total other expenses, net of other income in the prior year period.

Provision for Income Taxes

In the second half of fiscal year 2022, provision for income taxes increased by \$1.0 million to \$2.2 million from \$1.2 million in the same period of the previous year, mainly due to a higher effective tax rate at 25.0%, the standard statutory corporate income tax rate in mainland China. By renewing our High and New Technology Enterprise status next fiscal year, we will be entitled to a corporate income tax preferential rate of 15.0%.

Net (Loss) Income and EPS

In the second half of fiscal year 2022, net loss was \$1.9 million compared to a net income of \$2.1

million in the prior year period.

In the second half of fiscal year 2022, non-GAAP net income⁴ decreased by \$2.9 million, or 50.5%, to \$2.8 million from \$5.7 million in the same period of the previous year.

In the second half of fiscal year 2022, net loss attributable to CLPS Incorporation's shareholders was \$1.8 million, or \$0.08 basic and diluted losses per share, compared to net income attributable to CLPS Incorporation's shareholders of \$2.0 million, or \$0.11 basic and \$0.10 diluted earnings per share in the second half of fiscal 2021.

In the second half of fiscal year 2022, non-GAAP net income attributable to CLPS Incorporation's shareholders⁵ was \$2.9 million, or \$0.14 basic and diluted earnings per share, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$5.6 million, or \$0.30 basic and \$0.29 diluted earnings per share in the second half of fiscal 2021.

Audited Fiscal Year 2022 Financial Results

Revenues

In the fiscal year 2022, revenues increased by \$25.9 million, or 20.6%, to \$152.0 million from \$126.1 million in the prior year period. The increase in revenue was mainly due to the increase in IT consulting and customized IT solution services revenues.

Revenues by Service

- In the fiscal year 2022, revenue from IT consulting services increased by \$21.8 million, or 17.8%, to \$144.1 million from \$122.3 million in the prior year period. Revenue from IT consulting services accounted for 94.8% of total revenue, compared to 97.0% 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.
- In the fiscal year 2022, revenue from customized IT solution services increased by \$3.6 million, or 115.2%, to \$6.7 million and accounted for 4.4% of total revenue, up from \$3.1 million, or 2.5% of total revenue in the prior year period. The increase was primarily due to the increased demand from existing and new clients.
- In the fiscal year 2022, revenue from other services increased by \$0.5 million, or 81.2%, to \$1.2 million and accounted for 0.8% of total revenue, up from \$0.7 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 non-IT consulting services.

Revenues by Operational Areas

- In the fiscal year 2022, revenue from banking area increased by \$7.7 million, or 12.9% to \$67.7 million from \$60.0 million in the prior year period. Revenue from banking area accounted for 44.5% and 47.6% of total revenues in the fiscal year 2022 and 2021, respectively.
- In the fiscal year 2022, revenue from wealth management area increased by \$6.9 million, or 27.5% to \$32.1 million from \$25.2 million in the prior year period. Revenue from wealth management area

accounted for 21.1% and 20.0% of total revenues in the fiscal year 2022 and 2021, respectively.

- In the fiscal year 2022, revenue from e-Commerce area increased by \$10.2 million, or 53.5% to \$29.4 million from \$19.2 million in the prior year period. Revenue from e-Commerce area accounted for 19.3% and 15.2% of total revenues in the fiscal year 2022 and 2021, respectively.
- In the fiscal year 2022, revenue from automotive area increased by \$1.9 million, or 22.7% to \$10.4 million from \$8.5 million in the prior year period. Revenue from automotive area accounted for 6.8% and 6.7% of total revenues in the fiscal year 2022 and 2021, respectively.

Revenues by Geography

- In the fiscal year 2022, revenue generated outside of mainland China increased by 4.1% to \$14.1 million from \$13.6 million in the prior year period. The increase in revenue generated outside of mainland China was primarily due to a revenue growth from the United States market, which reflects the Company's successful and continuous implementation of our global expansion strategy.

Gross Profit

In the fiscal year 2022, gross profit increased by \$0.8 million, or 2.0%, to \$41.0 million from \$40.2 million in the prior year period.

Operating Expenses

In the fiscal year 2022, selling and marketing expenses increased by \$0.3 million, or 9.3%, to \$4.1 million from \$3.8 million in the prior year period. The increase was primarily due to a year-over-year increase of sales and marketing staff salary expenses. As a percentage of total revenues, selling and marketing expenses decreased to 2.7% in the fiscal year 2022 compared to 3.0% in the prior year period. The decrease reflects an increase in operational efficiency as a result of economies of scale.

In the fiscal year 2022, research and development expenses decreased by \$5.3 million, or 40.2%, to \$8.0 million from \$13.3 million in the prior year period. As a percentage of total revenues, research and development expenses decreased to 5.2% in the fiscal year 2022 compared to 10.6% in the prior year period. The decrease was primarily due to the optimization of our R&D staff structure, which involved allocating a number of our R&D staff to deliver IT services to meet the increased demand from clients.

In the fiscal year 2022, general and administrative expenses increased by \$6.2 million, or 37.3%, to \$23.0 million from \$16.8 million in the prior year period. As a percentage of total revenues, general and administrative expenses increased to 15.2% in the fiscal year 2022 compared to 13.3% in the prior year period. The increase was primarily due to the hiring of management-level employees to further drive our growth in the overseas market, the increase of non-cash share-based compensation expenses, the year-over-year increase in employee salary, and the increase in depreciation and amortization resulting from the acquisition of fixed assets in Hong Kong and Singapore.

Operating Income

In the fiscal year 2022, operating income decreased by \$1.0 million, or 11.6%, to \$7.4 million from \$8.4 million in the same period of the previous year. Operating margin was 4.9% in the fiscal year 2022, compared to 6.6% in the prior year period. The decrease was primarily due to the lockdown in cities where our operations were impacted such as Shanghai, following the resurgence of COVID-19 cases and

the increased prevention costs associated with it, the hiring of management-level employees to further drive our growth in the overseas market, and the increase of non-cash share based compensation expenses.

Other Income and Expenses

In the fiscal year 2022, total other income, net of other expenses was \$0.3 million, compared to \$0.1 million total other expenses, net of other income in the prior year period.

Provision for Income Taxes

In the fiscal year 2022, provision for income taxes increased by \$1.7 million to \$3.0 million from \$1.3 million in the same period of the previous year, mainly due to a higher effective tax rate at 25.0%, the standard statutory corporate income tax rate in mainland China. By renewing our High and New Technology Enterprise status next fiscal year, we will be entitled to a corporate income tax preferential rate of 15.0%.

Net Income and EPS

In the fiscal year 2022, net income decreased by \$2.4 million, or 34.6%, to \$4.6 million from \$7.0 million in the prior year period.

In the fiscal year 2022, non-GAAP net income⁴ decreased by \$0.3 million, or 3.1%, to \$11.8 million from \$12.1 million in the same period of the previous year.

In the fiscal year 2022, net income attributable to CLPS Incorporation's shareholders was \$4.5 million, or \$0.21 basic and diluted earnings per share, compared to net income attributable to CLPS Incorporation's shareholders of \$6.8 million, or \$0.39 basic and diluted earnings per share in fiscal year 2021.

In the fiscal year 2022, non-GAAP net income attributable to CLPS Incorporation's shareholders⁵ was \$11.6 million, or \$0.56 basic and \$0.55 diluted earnings per share, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$11.9 million, or \$0.69 basic and \$0.68 diluted earnings per share in the fiscal year 2021.

Cash Flow

As of June 30, 2022, the Company had cash and cash equivalents of \$18.4 million compared to \$24.7 million as of June 30, 2021.

Net cash provided by operating activities was \$3.2 million for the twelve months ended June 30, 2022. Net cash used in investing activities was \$16.3 million. Net cash provided by financing activities was approximately \$7.5 million. The effect of exchange rate change on cash was approximately negative \$0.7 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

Undeterred by the short-term challenges, we remain confident about our long-term business growth. For fiscal year 2023, the Company expects, considering our financial numbers could be affected by the

floating exchange rate, and absent material acquisitions or non-recurring transactions, total sales growth in the range of approximately 20% to 25%, non-GAAP net income growth in the range of approximately 22% to 27% compared to fiscal year 2022 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, 2022, were translated at 6.6981 RMB to 1.00 USD compared to 6.4566 RMB to 1.00 USD as of June 30, 2021. 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, 2022 and 2021 were 6.4554 RMB to 1.00 USD and 6.6212 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 20, 2022 to discuss second half and full year of fiscal 2022 results. Listeners may access the call by dialing:

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

U.S. Local/International: +1-323-794-2588

Mainland China: 400 613 7997

Hong Kong: 800 938 765

To access the live audio webcast of the conference call, please visit [this link](#). The live and archived audio 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 November 3, 2022 by dialing:

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

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

Passcode: 6928331

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 service sectors. The Company serves as an IT solutions provider to a growing network of clients in the global financial service industry, including large financial institutions in the US, Europe, Australia, Southeast Asia and Hong Kong SAR, 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, Xi'an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan. The remaining nine global centers are located in Hong Kong SAR, USA, Japan, Singapore, Australia, Malaysia, India, Philippines and Vietnam. For further information regarding the Company, please visit: <https://ir.clpsglobal.com/>, or follow CLPS on [Facebook](#), [Instagram](#), [LinkedIn](#), [Twitter](#), and [YouTube](#).

Forward-Looking Statements

Certain of the statements made in this press release are "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All such statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties related to the Company's financial and operational performance in the second half and full year of fiscal 2022, 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.

Contact:

CLPS Incorporation

Rhon Galicha

Investor Relations Office

Phone: +86-182-2192-5378

Email: ir@clpsglobal.com

- ¹ Non-GAAP operating income is a non-GAAP financial measure, which is defined as operating income excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details.
- ² "EBITDA" refers to earnings before interest, taxes, depreciation and amortization.
- ³ Non-GAAP EBITDA is a non-GAAP financial measure, which is defined as EBITDA excluding share-based compensation expenses.
- ⁴ 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

⁵ 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.

CLPS INCORPORATION
CONSOLIDATED BALANCE SHEETS

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

	As of June 30,	As of December
	2022	31,
	(Audited)	2021
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,396,987	\$ 21,741,601
Short-term investments	-	6,512,256
Accounts receivable, net	53,769,887	43,819,782
Prepayments, deposits and other assets, net	4,215,414	3,318,639
Prepaid income tax	-	181,886
Amounts due from related parties	377,642	430,614
Total Current Assets	76,759,930	76,004,778
Non-Current assets:		
Property and equipment, net	20,601,098	20,886,477
Intangible assets, net	970,044	1,106,806
Goodwill	2,363,841	2,441,368
Long-term investments	610,386	835,041
Prepayments, deposits and other assets, net	248,456	407,821
Deferred tax assets, net	327,040	408,445
Total Assets	\$ 101,880,795	\$ 102,090,736
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loans	\$ 14,474,363	\$ 13,294,897
Accounts payable	343,597	515,918
Accrued expenses and other current liabilities	352,402	424,356
Tax payables	2,355,066	2,238,739
Contract liabilities	587,140	1,161,507
Salaries and benefits payable	12,203,933	14,839,684
Amounts due to related party	66,884	61,845
Total Current Liabilities	30,383,385	32,536,946
Non-Current liabilities:		
Bank loans	-	-
Deferred tax liabilities	150,547	144,253
Other non-current liabilities	3,546,263	2,101,145

TOTAL LIABILITIES	<u>34,080,195</u>	<u>34,782,344</u>
Commitments and Contingencies		
Shareholders' Equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 22,444,822 shares issued and outstanding as of June 30, 2022; 20,293,552 shares issued and outstanding as of June 30, 2021	2,244	2,021
Additional paid-in capital	55,705,209	50,988,671
Statutory reserves	5,071,876	4,826,600
Retained earnings	6,323,792	8,376,104
Accumulated other comprehensive (loss) income	(550,248)	1,715,151
Total CLPS Incorporation Shareholders' Equity	<u>66,552,873</u>	<u>65,908,547</u>
Noncontrolling Interests	<u>1,247,727</u>	<u>1,399,845</u>
Total Shareholders' Equity	<u>67,800,600</u>	<u>67,308,392</u>
Total Liabilities and Shareholders' Equity	<u>\$ 101,880,795</u>	<u>\$ 102,090,736</u>

CLPS INCORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	For the six months ended	
	June 30,	
	2022	2021
Revenues	\$ 76,100,776	\$ 67,743,485
Less: Cost of revenues (note 1)	(57,423,736)	(46,050,474)
Gross profit	18,677,040	21,693,011
Operating income (expenses):		
Selling and marketing expenses (note 1)	(1,818,662)	(1,959,429)
Research and development expenses	(3,795,772)	(7,176,725)
General and administrative expenses (note 1)	(13,877,275)	(10,155,688)
Subsidies and other operating income	658,311	1,041,167
Total operating expenses	(18,833,398)	(18,250,675)
(Loss) Income from operations	(156,358)	3,442,336
Other income	558,546	149,323
Other expenses	(100,336)	(301,821)
Income before income tax and share of income in equity investees	301,852	3,289,838
Provision for income taxes	2,181,071	1,164,910
(Loss) income before share of (loss) income in equity investees	(1,879,219)	2,124,928
Share of (loss) in equity investees, net of tax	(3,215)	(37,994)
Net (loss) income	(1,882,434)	2,086,934
Less: Net (loss) income attributable to noncontrolling interests	(75,398)	130,478
Net (loss) income attributable to CLPS Incorporation’s shareholders	\$ (1,807,036)	\$ 1,956,456
Other comprehensive (loss) income		
Foreign currency translation (loss) income	\$ (2,328,918)	\$ 468,792
Less: Foreign currency translation (loss) income attributable to noncontrolling interest	(63,519)	8,853
Other comprehensive (loss) income attributable to CLPS Incorporation’s shareholders	\$ (2,265,399)	\$ 459,939

Comprehensive (loss) income attributable to		
CLPS Incorporation's shareholders	\$ (4,072,435)	\$ 2,416,395
Comprehensive (loss) income attributable to noncontrolling interests	(138,917)	139,331
Comprehensive (loss) income	\$ (4,211,352)	\$ 2,555,726
<hr/> <hr/>		
Basic (loss) earnings per common share	\$ (0.08)	\$ 0.11
Weighted average number of share outstanding – basic	21,484,828	18,514,807
Diluted earnings per common share	\$ (0.08)	\$ 0.10
Weighted average number of share outstanding – diluted	21,484,828	19,097,170
<hr/> <hr/>		
Note:		
<hr/> <hr/>		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	13,983	4,221
Selling and marketing expenses	55,834	42,556
General and administrative expenses	4,646,944	3,586,593
<hr/> <hr/>		

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,	
	2022	2021
	(Unaudited)	(Unaudited)
Cost of revenues	\$ (57,423,736)	\$ (46,050,474)
Less: share-based compensation expenses	(13,983)	(4,221)
Non-GAAP cost of revenues	\$ (57,409,753)	\$ (46,046,253)
Selling and marketing expenses	\$ (1,818,662)	\$ (1,959,429)
Less: share-based compensation expenses	(55,834)	(42,556)
Non-GAAP selling and marketing expenses	\$ (1,762,828)	\$ (1,916,873)
General and administrative expenses	\$ (13,877,275)	\$ (10,155,688)
Less: share-based compensation expenses	(4,646,944)	(3,586,593)
Non-GAAP general and administrative expenses	\$ (9,230,331)	\$ (6,569,095)
Operating income (loss)	\$ (156,358)	\$ 3,442,336
Add: share-based compensation expenses	4,716,761	3,633,370
Non-GAAP operating income	\$ 4,560,403	\$ 7,075,706
Operating margin	(0.2%)	5.1%
Add: share-based compensation expenses	6.2%	5.3%
Non-GAAP operating margin	6.0%	10.4%
Net income (loss)	\$ (1,882,434)	\$ 2,086,934
Add: share-based compensation expenses	4,716,761	3,633,370
Non-GAAP net income	\$ 2,834,327	\$ 5,720,304

Net (loss) income attributable to CLPS Incorporation's shareholders	\$	(1,807,036)	\$	1,956,456
Add: share-based compensation expenses		4,716,761		3,633,370
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$	2,909,725	\$	5,589,826

Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		21,484,828		18,514,807
GAAP basic (loss) earnings per common share	\$	(0.08)	\$	0.11
Add: share-based compensation expenses		0.22		0.19
Non-GAAP basic earnings per common share	\$	0.14	\$	0.30

Weighted average number of share outstanding used in computing GAAP diluted earnings		21,484,828		19,097,170
Weighted average number of share outstanding used in computing non-GAAP diluted earnings		21,522,447		19,097,170

GAAP diluted (loss) earnings per common share	\$	(0.08)	\$	0.10
Add: share-based compensation expenses		0.22		0.19
Non-GAAP diluted earnings per common share	\$	0.14	\$	0.29

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

	As of June 30,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,396,987	\$ 24,739,382
Short-term investments	-	4,158,535
Accounts receivable, net	53,769,887	44,138,997
Prepayments, deposits and other assets, net	4,215,414	2,530,458
Amounts due from related parties	377,642	546,128
Total Current Assets	76,759,930	76,113,500
Non-current assets:		
Property and equipment, net	20,601,098	600,791
Intangible assets, net	970,044	1,050,499
Goodwill	2,363,841	2,444,950
Long-term investments	610,386	1,014,784
Prepayments, deposits and other assets, net	248,456	896,145
Deferred tax assets, net	327,040	607,773
Total Assets	\$ 101,880,795	\$ 82,728,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	\$ 14,474,363	\$ 7,536,839
Accounts payable	343,597	559,450
Accrued expenses and other current liabilities	352,402	245,408
Tax payables	2,355,066	1,715,009
Contract liabilities	587,140	326,912
Salaries and benefits payable	12,203,933	12,466,921
Amounts due to related party	66,884	183,148
Total Current Liabilities	30,383,385	23,033,687
Non-current liabilities		
Bank loans	-	9,644
Deferred tax liabilities	150,547	155,033
Other non-current liabilities	3,546,263	1,799,383
TOTAL LIABILITIES	34,080,195	24,997,747
Commitments and Contingencies		

Shareholders' Equity

Common stock, \$0.0001 par value, 100,000,000 shares authorized;

22,444,822 shares issued and outstanding as of June 30, 2022;

20,293,552 shares issued and outstanding as of June 30, 2021

	2,244	2,029
Additional paid-in capital	55,705,209	48,516,695
Statutory reserves	5,071,876	4,214,075
Retained earnings	6,323,792	2,726,165
Accumulated other comprehensive (loss) income	(550,248)	1,230,083
Total CLPS Incorporation's Shareholders' Equity	66,552,873	56,689,047
Noncontrolling Interests	1,247,727	1,041,648
Total Shareholders' Equity	67,800,600	57,730,695
Total Liabilities and Shareholders' Equity	\$ 101,880,795	\$ 82,728,442

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,	
	2022	2021
Revenues	\$ 152,022,381	\$ 126,061,693
Less: Cost of revenues (note 1)	(111,033,345)	(85,890,757)
Gross profit	40,989,036	40,170,936
Operating income (expenses):		
Selling and marketing expenses (note 1)	(4,103,066)	(3,753,236)
Research and development expenses	(7,971,145)	(13,337,913)
General and administrative expenses (note 1)	(23,045,664)	(16,784,688)
Subsidies and other operating income	1,536,394	2,080,087
Total operating expenses	(33,583,481)	(31,795,750)
Income from operations	7,405,555	8,375,186
Other income	854,250	296,319
Other expenses	(575,605)	(351,045)
Income before income tax and share of income in equity investees		
investees	7,684,200	8,320,460
Provision for income taxes	3,045,992	1,257,124
Income before share of income in equity investees	4,638,208	7,063,336
Share of (loss) in equity investees, net of tax	(50,297)	(44,121)
Net income	4,587,911	7,019,215
Less: Net income attributable to noncontrolling interests	132,483	202,643
Net income attributable to CLPS Incorporation’s shareholders	\$ 4,455,428	\$ 6,816,572
Other comprehensive income (loss)		
Foreign currency translation (loss) income	\$ (1,828,542)	\$ 2,695,223
Less: Foreign currency translation (loss) income attributable to noncontrolling interests	(48,211)	102,475
Other comprehensive (loss) income attributable to CLPS Incorporation’s shareholders	\$ (1,780,331)	\$ 2,592,748
Comprehensive income attributable to		

CLPS Incorporation's shareholders	\$ 2,675,097	\$ 9,409,320
Comprehensive income attributable to noncontrolling interests	84,272	305,118
Comprehensive income	\$ 2,759,369	\$ 9,714,438
<hr/> <hr/>		
Basic earnings per common share	\$ 0.21	\$ 0.39
Weighted average number of share outstanding – basic	20,924,683	17,279,443
Diluted earnings per common share	\$ 0.21	\$ 0.39
Weighted average number of share outstanding – diluted	21,057,063	17,569,440
<hr/> <hr/>		
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	36,906	8,403
Selling and marketing expenses	165,209	122,087
General and administrative expenses	6,982,747	4,998,206
<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,	
	2022 (Audited)	2021 (Audited)
Cost of revenues	\$ (111,033,345)	\$ (85,890,757)
Less: share-based compensation expenses	(36,906)	(8,403)
Non-GAAP cost of revenues	\$ (110,996,439)	\$ (85,882,354)
Selling and marketing expenses	\$ (4,103,066)	\$ (3,753,236)
Less: share-based compensation expenses	(165,209)	(122,087)
Non-GAAP selling and marketing expenses	\$ (3,937,857)	\$ (3,631,149)
General and administrative expenses	\$ (23,045,664)	\$ (16,784,688)
Less: share-based compensation expenses	(6,982,747)	(4,998,206)
Non-GAAP general and administrative expenses	\$ (16,062,917)	\$ (11,786,482)
Operating income	\$ 7,405,555	\$ 8,375,186
Add: share-based compensation expenses	7,184,862	5,128,696
Non-GAAP operating income	\$ 14,590,417	\$ 13,503,882
Operating margin	4.9%	6.6%
Add: share-based compensation expenses	4.7%	4.1%
Non-GAAP operating margin	9.6%	10.7%
Net income	\$ 4,587,911	\$ 7,019,215
Add: share-based compensation expenses	7,184,862	5,128,696
Non-GAAP net income	\$ 11,772,773	\$ 12,147,911
Net income attributable to CLPS Incorporation's shareholders	\$ 4,455,428	\$ 6,816,572
Add: share-based compensation expenses	7,184,862	5,128,696
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$ 11,640,290	\$ 11,945,268

Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		20,924,683		17,279,443
GAAP basic earnings per common share	\$	0.21	\$	0.39
Add: share-based compensation expenses		0.35		0.30
Non-GAAP basic earnings per common share	\$	<u>0.56</u>	\$	<u>0.69</u>

Weighted average number of share outstanding used in computing GAAP and non-GAAP diluted earnings		21,057,063		17,569,440
GAAP diluted earnings per common share	\$	0.21	\$	0.39
Add: share-based compensation expenses		0.34		0.29
Non-GAAP diluted earnings per common share	\$	<u>0.55</u>	\$	<u>0.68</u>