

CLPS Incorporation Reports Financial Results for the Second Half and Full Year of Fiscal 2023

HONG KONG, Oct. 18, 2023 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), today announced its financial results for the six months ended June 30, 2023 and full year of fiscal 2023.

During this period, the global economic landscape and international affairs have undergone remarkable transformations, driven by various factors such as the Federal Reserve interest rate adjustments and shifts in China's COVID-19 policies. This unprecedented chain of events had impacted both the macro and micro economies.

The Company experienced direct and indirect effects on its business development, particularly concerning the impact of exchange rate fluctuation between the RMB and the U.S. dollar, given its reporting currency. These challenges have provided CLPS with valuable insights and have strengthened its ability to navigate global economic dynamics effectively.

In addition, CLPS observed short term effects that involved gradual refinement in discretionary spending by some of its established clients, leading to a temporary reduction in demand for IT services, particularly in banking and e-commerce areas. However, CLPS view this as a chance to innovate and tailor its services to meet evolving client needs, positioning it for long-term growth and resilience.

The increased demand for IT professionals in response to rapid industry development and economic structural changes has naturally driven up compensation costs. Nevertheless, CLPS proactively addressed this issue through its Talent Creation Program and Talent Development Program, which seamlessly integrate education, training, and service delivery. These programs have not only alleviated the pressure of rising labor costs but also reinforced its commitment to nurturing top-tier talents.

Through continuous investment in advanced technology, extensive research, and a deep understanding of its clients' needs, CLPS has built a strong reputation in the industry, enhanced its competitiveness, and bolstered its bargaining power over the years.

Unaudited Second Half of Fiscal 2023 Highlights (all results compared to the six months ended June 30, 2022)

- Revenue from wealth management area increased by 9.2% to \$18.6 million from \$17.0 million.
- Revenue from automotive area increased by 42.7% to \$7.7 million from \$5.4 million.
- Revenue generated outside of mainland China increased by 39.0% to \$9.0 million from \$6.5 million.
- Operating expenses decreased by 8.2% to \$17.3 million from \$18.8 million.
- Net loss was \$1.2 million, compared to a net loss of \$1.9 million.

Audited Fiscal Year 2023 Highlights (all results compared to the twelve months ended June 30, 2022)

- Revenue from wealth management area increased by 16.3% to \$37.4 million from \$32.1 million.
- Revenue from automotive area increased by 36.4% to \$14.2 million from \$10.4 million.
- Revenue generated outside of mainland China increased by 14.6% to \$16.2 million from \$14.1 million.
- Net cash provided by operating activities increased by 203.2% to \$9.7 million from \$3.2 million.

Mr. Raymond Lin, Chief Executive Officer of CLPS, commented, "Our fiscal year 2023 witnessed a commendable upswing in our IT consulting services revenue, driven primarily by the remarkable growth from wealth management and automotive areas, surging to \$37.4 million and \$14.2 million, respectively. Equally notable was our ability to attract new clients, complementing the success story."

"One of the standout achievements this fiscal year was the 14.6% growth in overseas revenue, which increased to \$16.2 million from \$14.1 million, driven by our successful global expansion initiative. In particular, our presence in the United States grew, with revenue soaring to \$2.8 million from \$0.9 million, marking an impressive 214.6% increase. Our unwavering commitment to pursuing further expansion opportunities in North America underscores our global growth ambitions."

"Looking ahead in this dynamic market, we are excited to seize the opportunities presented by the reopening of the Chinese economy post-pandemic and our growing global presence. In addition to our fiscal year achievements, we are delighted to commemorate our 5th listing anniversary on Nasdaq. This milestone symbolizes our dedication to transparency, accountability, and sustained growth."

"As we navigate our future path, our commitment remains unwavering in delivering innovative solutions, exceptional service, and enduring value to our clients. As we embark on our next chapter, we are steadfast in our pursuit of excellence and innovation," concluded Mr. Lin.

Ms. Rui Yang, Chief Financial Officer of CLPS, commented, "Despite operating in a challenging industry environment and effect of currency fluctuations, CLPS delivered steady and sustainable financial performance. Our revenue increased by 6.5% in RMB terms, and we made progress in optimizing our expenses. Our operating expenses decreased by 20.9% in the second half of fiscal year 2023 and by 4.6% for the full year of fiscal 2023, excluding the impact of the deduction of goodwill caused by low stock price. We also saw a significant increase in our net cash from operating activities, up by 203.2% reinforcing our ability to capture new business opportunities and enhanced returns for our investors. Going forward, we remain committed to diversifying revenue streams and taking proactive steps to create value for our shareholders."

Unaudited Second Half of Fiscal Year 2023 Financial Results

Revenues

In the second half of fiscal 2023, revenues decreased by \$2.5 million, or 3.3%, to \$73.6 million from \$76.1 million in the prior year period. The decrease in revenue was mainly due to the decreased demand in customized IT solution services.

Revenues by Service

- Revenue from IT consulting services decreased by \$0.6 million, or 0.9%, to \$71.5 million in the second half of fiscal 2023, from \$72.1 million in the prior year period. Revenue from IT consulting services accounted for 97.1% of total revenue, compared to 94.8% in the prior year period. The decrease was due to the decreased demand from existing clients.
- Revenue from customized IT solution services decreased by \$2.1 million, or 60.5%, to \$1.4 million in the second half of fiscal 2023, from \$3.5 million in the prior year period. Revenue from customized IT solution services accounted for 1.9% of total revenue, compared to 4.6% in the prior year period. The decrease was primarily due to the decreased demand from existing clients.
- Revenue from other services increased by \$0.3 million, or 48.5%, to \$0.8 million in the second half of fiscal 2023, from \$0.5 million in the prior year period. Revenue from other services accounted for 1.0% of total revenue, compared to 0.7% in the prior year period. The increase was primarily due to the increased demand for other services, including head hunting service.

Revenues by Operational Areas

- Revenue from banking area decreased by \$3.4 million, or 10.3% to \$29.3 million in the second half of fiscal 2023, from \$32.7 million in the prior year period. Revenue from banking area accounted for 39.8% and 42.9% of total revenues in the second half of fiscal 2023 and 2022, respectively.
- Revenue from wealth management area increased by \$1.6 million, or 9.2% to \$18.6 million in the second half of fiscal 2023, from \$17.0 million in the prior year period. Revenue from wealth management area accounted for 25.2% and 22.3% of total revenues in the second half of fiscal 2023 and 2022, respectively.
- Revenue from e-Commerce area decreased by \$3.3 million, or 21.6% to \$11.7 million in the second half of fiscal 2023, from \$15.0 million in the prior year period. Revenue from e-Commerce area accounted for 16.0% and 19.7% of total revenues in the second half of fiscal 2023 and 2022, respectively.
- Revenue from automotive area increased by \$2.3 million, or 42.7% to \$7.7 million in the second half of fiscal 2023, from \$5.4 million in the prior year period. Revenue from automotive area accounted for 10.4% and 7.0% of total revenues in the second half of fiscal 2023 and 2022, respectively.

Revenues by Geography

- Revenue generated outside of mainland China increased by 39.0% to \$9.0 million in the second half of fiscal year 2023, from \$6.5 million in the prior year period. The increase was primarily to the strong performance of our operations in Hong Kong SAR and the U.S. markets.

Gross Profit

Gross profit decreased by \$2.7 million, or 14.2%, to \$16.0 million in the second half of fiscal 2023, from \$18.7 million in the prior year period. The decrease was primarily due to the decreased demand in customized IT solution services.

Operating Expenses

Selling and marketing expenses decreased by \$1.2 million, or 66.1%, to \$0.6 million in the second half of fiscal 2023, from \$1.8 million in the prior year period. As a percentage of total revenues, selling and

marketing expenses decreased to 0.8% in the second half of fiscal 2023 compared to 2.4% in the prior year period. The decrease was primarily due to improved efficiency in talent acquisition using an intelligent automation solution, which helped the Company to reduce time and cost associated with the talent acquisition process.

Research and development expenses increased by \$0.2 million, or 4.8%, to \$4.0 million in the second half of fiscal 2023, from \$3.8 million in the prior year period. As a percentage of total revenues, research and development expenses increased to 5.4% in the second half of fiscal 2023 compared to 5.0% in the prior year period. The increase was primarily due to the increased R&D personnel-related costs associated with the Company's ongoing research and development initiatives in cutting-edge technologies and new projects, such as AI-generated content (AIGC), CAKU 2.0, and a new generation of loan system.

General and administrative expenses decreased by \$3.0 million, or 21.1%, to \$10.9 million in the second half of fiscal 2023, from \$13.9 million in the prior year period. As a percentage of total revenues, general and administrative expenses decreased to 14.9% in the second half of fiscal 2023 compared to 18.2% in the prior year period. The decrease was primarily due to refined management practices in response to the challenging industry environment, including the deduction of share-based compensation.

Operating Loss

Operating loss was \$1.3 million in the second half of fiscal 2023, compared to operating loss of \$0.2 million in the same period of the previous year. Operating margin was -1.7% compared to -0.2% in the prior year period.

Other Income and Expenses

Total other income, net of other expenses was \$0.48 million in the second half of fiscal 2023, compared to \$0.46 million total other income, net of other expenses in the prior year period.

Provision for Income Taxes

Provision for income taxes decreased by \$1.7 million to \$0.5 million in the second half of fiscal 2023, from \$2.2 million in the same period of the previous year, mainly due to a higher effective tax rate of 25.0% in the second half of fiscal 2022, the standard statutory corporate income tax rate in mainland China. By renewing its High and New Technology Enterprise status in fiscal year 2023, the Company was entitled to a corporate income tax preferential rate of 15.0%.

Net (Loss) Income and EPS

Net loss was \$1.2 million in the second half of fiscal 2023, compared to a net loss of \$1.9 million in the prior year period.

Non-GAAP net income¹ was \$1.7 million in the second half of fiscal 2023, compared to a Non-GAAP net income of \$2.8 million in the prior year period.

Net loss attributable to CLPS Incorporation's shareholders was \$1.1 million, or \$0.05 basic and diluted losses per share in the second half of fiscal 2023, compared to a net loss attributable to CLPS Incorporation's shareholders of \$1.8 million, or \$0.08 basic and diluted losses per share in the second half of fiscal 2022.

Non-GAAP net income attributable to CLPS Incorporation's shareholders² was \$1.8 million, or \$0.08 basic and diluted earnings per share in the second half of fiscal 2023, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$2.9 million, or \$0.14 basic and diluted earnings per share in the second half of fiscal 2022.

Audited Fiscal Year 2023 Financial Results

Revenues

Revenues decreased by \$1.6 million, or 1.1%, to \$150.4 million in the fiscal year 2023, from \$152.0 million in the prior year period. The decrease in revenue was mainly due to the decreased demand in customized IT solution services.

Revenues by Service

- Revenue from IT consulting services increased by \$0.2 million, or 0.1%, to \$144.3 million in the fiscal year 2023, from \$144.1 million in the prior year period. Revenue from IT consulting services accounted for 96.0% of total revenue, compared to 94.8% in the prior year period. The increase was due to the increased demand from existing and new clients, and our improved service delivery capability.
- Revenue from customized IT solution services decreased by \$2.1 million, or 32.4%, to \$4.6 million in the fiscal year 2023, from \$6.7 million in the prior year period. Revenue from customized IT solution services accounted for 3.0% of total revenue, compared to 4.4% in the prior year period. The decrease was primarily due to the decreased demand from existing clients.
- Revenue from other services increased by \$0.3 million, or 27.2%, to \$1.5 million in the fiscal year 2023, from \$1.2 million in the prior year period. Revenue from other services accounted for 1.0% of total revenue, compared to 0.8% in the prior year period. The increase was primarily due to the increased demand for other services, including head hunting services.

Revenues by Operational Areas

- Revenue from banking area decreased by \$6.2 million, or 9.1% to \$61.5 million in the fiscal year 2023, from \$67.7 million in the prior year period. Revenue from banking area accounted for 40.9% and 44.5% of total revenues in the fiscal year 2023 and 2022, respectively.
- Revenue from wealth management area increased by \$5.2 million, or 16.3% to \$37.4 million in the fiscal year 2023, from \$32.1 million in the prior year period. Revenue from wealth management area accounted for 24.9% and 21.1% of total revenues in the fiscal year 2023 and 2022, respectively.
- Revenue from e-Commerce area decreased by \$3.9 million, or 13.4% to \$25.5 million in the fiscal year 2023, from \$29.4 million in the prior year period. Revenue from e-Commerce area accounted for 16.9% and 19.3% of total revenues in the fiscal year 2023 and 2022, respectively.
- Revenue from automotive area increased by \$3.8 million, or 36.4% to \$14.2 million from \$10.4 million in the prior year period. Revenue from automotive area accounted for 9.4% and 6.8% of total revenues in the fiscal year 2023 and 2022, respectively.

Revenues by Geography

- Revenue generated outside of mainland China increased by 14.6% to \$16.2 million in the fiscal year 2023, from \$14.1 million in the prior year period. The increase was primarily to the strong performance of our operations in Hong Kong SAR and the U.S. markets, which reflects the Company's successful and continuous implementation of its global expansion strategy.

Gross Profit

Gross profit decreased by \$6.5 million, or 15.9%, to \$34.5 million in the fiscal year 2023, from \$41.0 million in the prior year period. The decrease was primarily due to the increase in IT professional compensation costs.

Operating Expenses

Selling and marketing expenses decreased by \$0.8 million, or 19.6%, to \$3.3 million in the fiscal year 2023, from \$4.1 million in the prior year period. As a percentage of total revenues, selling and marketing expenses decreased to 2.2% in the fiscal year 2023 compared to 2.7% in the prior year period. The decrease was primarily due to improved efficiency in talent acquisition using an intelligent automation solution, which helped the Company to reduce time and cost associated with the talent acquisition process.

Research and development expenses increased by \$0.3 million, or 4.6%, to \$8.3 million in the fiscal year 2023, from \$8.0 million in the prior year period. As a percentage of total revenues, research and development expenses increased to 5.5% in the fiscal year 2023 compared to 5.2% in the prior year period. The increase was primarily due to the increased R&D personnel-related costs associated with the Company's ongoing research and development initiatives in cutting-edge technologies and new projects, such as AI-generated content (AIGC), CAKU 2.0, and a new generation of loan system.

General and administrative expenses decreased by \$1.4 million, or 6.1%, to \$21.6 million in the fiscal year 2023, from \$23.0 million in the prior year period. As a percentage of total revenues, general and administrative expenses decreased to 14.4% in the fiscal year 2023 compared to 15.2% in the prior year period. The decrease was primarily due to refined management practices in response to the challenging industry environment, including the deduction of share-based compensation.

Operating Income

Operating income was \$76.4 thousand, compared to an operating income of \$7.4 million in the same period of the previous year. Operating margin was 0.1% in the fiscal year 2023, compared to 4.9% in the prior year period.

Other Income and Expenses

Total other income, net of other expenses was \$0.7 million in the fiscal year 2023, compared to \$0.3 million total other income, net of other expenses in the prior year period.

Provision for Income Taxes

Provision for income taxes decreased by \$2.3 million to \$0.7 million in the fiscal year 2023, from \$3.0 million in the same period of the previous year, mainly due to a decrease in earnings before taxes. Another factor contributing to this is the higher effective tax rate of 25.0% in the second half of fiscal 2022, the standard statutory corporate income tax rate in mainland China. By renewing its High and New Technology Enterprise status in fiscal year 2023, the Company was entitled to a corporate income tax preferential rate

of 15.0%.

Net Income and EPS

Net income decreased by \$4.4 million, or 96.4%, to \$0.17 million in the fiscal year 2023, from \$4.6 million in the prior year period.

Non-GAAP net income¹ decreased by \$6.8 million, or 57.3%, to \$5.0 million in the fiscal year 2023, from \$11.8 million in the same period of the previous year.

Net income attributable to CLPS Incorporation's shareholders was \$0.19 million, or \$0.01 basic and diluted earnings per share in the fiscal year 2023, compared to net income attributable to CLPS Incorporation's shareholders of \$4.5 million, or \$0.21 basic and diluted earnings per share in fiscal year 2022.

Non-GAAP net income attributable to CLPS Incorporation's shareholders² was \$5.1 million, or \$0.22 basic and diluted earnings per share in the fiscal year 2023, compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$11.6 million, or \$0.56 basic and \$0.55 diluted earnings per share in the fiscal year 2022.

Cash Flow

As of June 30, 2023, the Company had cash and cash equivalents of \$22.2 million compared to \$18.4 million as of June 30, 2022.

Net cash provided by operating activities was \$9.7 million for the twelve months ended June 30, 2023. Net cash used in investing activities was \$0.3 million. Net cash used in financing activities was approximately \$4.3 million. The effect of exchange rate change on cash was approximately negative \$1.2 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 2024, 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 10% to 15%, non-GAAP net income growth in the range of approximately 12% to 17% compared to fiscal year 2023 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, 2023, were translated at 7.2513 RMB to 1.00 USD compared to 6.6981 RMB to 1.00 USD as of June 30, 2022. 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, 2023 and 2022 were 6.9536 RMB to 1.00 USD and 6.4554 RMB to 1.00 USD,

respectively. The change in the value of the RMB relative to the U.S. dollar may affect our financial results reported in the U.S. dollar terms without giving effect to any underlying change in our business or results of operation.

About CLPS Incorporation

Headquartered in Hong Kong, CLPS Incorporation (the "Company") (Nasdaq: CLPS) is a global leading information technology ("IT") consulting and solutions service provider focused on delivering services primarily to global institutions on the banking, wealth management, e-commerce, and automotive sectors. The Company serves as an IT service provider to a growing network of clients in the global financial service industry, including large financial institutions in the U.S., Europe, Australia, Asia, and their PRC-based IT centers. The Company maintains 20 delivery and/or research & development centers to serve different customers in various geographic locations. Mainland China centers are located in Shanghai, Beijing, Dalian, Tianjin, Xi'an, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Hainan. The remaining 10 global centers are located in Hong Kong SAR, USA, Japan, Singapore, Australia, Malaysia, India, Philippines, Vietnam, and Canada. For further information regarding the Company, please visit: <https://ir.clpsglobal.com/>, or follow CLPS on [Facebook](#), [Instagram](#), [LinkedIn](#), [X \(formerly Twitter\)](#), and [YouTube](#).

Forward-Looking Statements

Certain of the statements made in this press release are "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All such statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties related to the Company's financial and operational performance in the second half and full year of fiscal 2023, 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 and impairment of goodwill. 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 and impairment of goodwill. 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 and impairment of goodwill 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 and impairment of goodwill, 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 net loss/income is a non-GAAP financial measure, which is defined as net loss/income excluding share-based compensation expenses and impairment of goodwill. Please refer to the section titled "Reconciliation of Non-GAAP and GAAP Results" for details.
- ² Non-GAAP net loss/income attributable to CLPS Incorporation's shareholders is a non-GAAP financial measure, which is defined as net loss/income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses and impairment of goodwill. 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
	2023	December 31,
	(Audited)	2022
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,214,029	\$ 37,551,244
Restricted cash	87,604	-
Accounts receivable, net	48,515,467	45,048,831
Prepayments, deposits and other assets, net	1,665,736	2,963,071
Amounts due from related parties	391,271	429,369
Total Current Assets	72,874,107	85,992,515
Non-Current assets:		
Property and equipment, net	20,112,305	20,430,216
Intangible assets, net	726,175	920,605
Goodwill	-	2,412,933
Operating lease right-of-use assets	815,324	1,282,906
Long-term investments	456,598	566,522
Prepayments, deposits and other assets, net	252,656	289,422
Deferred tax assets, net	81,899	305,258
Total Assets	\$ 95,319,064	\$ 112,200,377
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loans	\$ 10,554,617	\$ 16,592,357
Accounts payable	690,035	397,437
Accrued expenses and other current liabilities	324,021	363,782
Tax payables	2,503,375	2,505,813
Contract liabilities	918,470	2,247,687
Salaries and benefits payable	10,586,239	14,928,223
Operating lease liabilities	712,302	1,033,044
Amounts due to related party	24,889	37,034
Total Current Liabilities	26,313,948	38,105,377
Non-Current liabilities:		
Operating lease liabilities	104,114	375,636

Deferred tax liabilities	185,382	142,921
Unrecognized tax benefit	2,320,918	2,271,027
Other non-current liabilities	885,901	931,383
TOTAL LIABILITIES	29,810,263	41,826,344
Commitments and Contingencies		
Shareholders' Equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 23,650,122 shares issued and outstanding as of June 30, 2023; 23,626,122 shares issued and outstanding as of December 31, 2022	2,365	2,363
Additional paid-in capital	58,183,383	57,648,162
Statutory reserves	5,356,828	6,498,218
Retained earnings	5,029,021	6,138,216
Accumulated other comprehensive losses	(3,990,594)	(1,261,753)
Total CLPS Incorporation Shareholders' Equity	64,581,003	69,025,206
Noncontrolling Interests	927,798	1,348,827
Total Shareholders' Equity	65,508,801	70,374,033
Total Liabilities and Shareholders' Equity	\$ 95,319,064	\$ 112,200,377

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,	
	2023	2022
Revenues	\$ 73,595,728	\$ 76,100,776
Cost of revenues (note 1)	(57,574,881)	(57,423,736)
Gross profit	16,020,847	18,677,040
Operating income (expenses):		
Selling and marketing expenses (note 1)	(616,480)	(1,818,662)
Research and development expenses	(3,977,785)	(3,795,772)
General and administrative expenses (note 1)	(10,946,729)	(13,877,275)
Impairment of goodwill	(2,382,538)	-
Subsidies and other operating income	635,368	658,311
Total operating expenses	(17,288,164)	(18,833,398)
Losses from operations	(1,267,317)	(156,358)
Other income	723,695	558,546
Other expenses	(246,662)	(100,336)
(Loss) income before income tax and share of income in equity investees	(790,284)	301,852
Provision for income taxes	489,148	2,181,071
Losses before share of losses in equity investees	(1,279,432)	(1,879,219)
Share of income (loss) in equity investees, net of tax	47,686	(3,215)
Net losses	(1,231,746)	(1,882,434)
Less: Net losses attributable to noncontrolling interests	(156,845)	(75,398)
Net losses attributable to CLPS Incorporation’s shareholders	\$ (1,074,901)	\$ (1,807,036)
Other comprehensive losses		
Foreign currency translation losses	\$ (2,785,938)	\$ (2,328,918)
Less: Foreign currency translation losses attributable to noncontrolling interests	(57,097)	(63,519)
Other comprehensive losses attributable to CLPS Incorporation’s shareholders	\$ (2,728,841)	\$ (2,265,399)

Comprehensive losses attributable to

CLPS Incorporation's shareholders	\$ (3,803,742)	\$ (4,072,435)
Comprehensive losses attributable to noncontrolling interests	(213,942)	(138,917)
Comprehensive losses	\$ (4,017,684)	\$ (4,211,352)
Basic losses per common share	\$ (0.05)	\$ (0.08)
Weighted average number of share outstanding – basic	23,629,200	21,484,828
Diluted losses per common share	\$ (0.05)	\$ (0.08)
Weighted average number of share outstanding – diluted	23,629,200	21,484,828
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	5,141	13,983
Selling and marketing expenses	68,969	55,834
General and administrative expenses	461,114	4,646,944

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,	
	2023 (Unaudited)	2022 (Unaudited)
Cost of revenues	\$ (57,574,881)	\$ (57,423,736)
Less: share-based compensation expenses	(5,141)	(13,983)
Non-GAAP cost of revenues	\$ (57,569,740)	\$ (57,409,753)
Selling and marketing expenses	\$ (616,480)	\$ (1,818,662)
Less: share-based compensation expenses	(68,969)	(55,834)
Non-GAAP selling and marketing expenses	\$ (547,511)	\$ (1,762,828)
General and administrative expenses	\$ (10,946,729)	\$ (13,877,275)
Less: share-based compensation expenses	(461,114)	(4,646,944)
Non-GAAP general and administrative expenses	\$ (10,485,615)	\$ (9,230,331)
Operating losses	\$ (1,267,317)	\$ (156,358)
Add: share-based compensation expenses	535,224	4,716,761
Add: Impairment of goodwill	2,382,538	-
Non-GAAP operating income	\$ 1,650,445	\$ 4,560,403
Operating margin	(1.7%)	(0.2%)
Add: share-based compensation expenses	0.7%	6.2%
Add: Impairment of goodwill	3.2%	-
Non-GAAP operating margin	2.2%	6.0%
Net losses	\$ (1,231,746)	\$ (1,882,434)
Add: share-based compensation expenses	535,224	4,716,761
Add: Impairment of goodwill	2,382,538	-
Non-GAAP net income	\$ 1,686,016	\$ 2,834,327

Net losses attributable to CLPS Incorporation's shareholders	\$	(1,074,901)	\$	(1,807,036)
Add: share-based compensation expenses		535,224		4,716,761
Add: Impairment of goodwill		2,382,538		-
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$	1,842,861	\$	2,909,725

Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		23,629,200		21,484,828
GAAP basic losses per common share	\$	(0.05)	\$	(0.08)
Add: share-based compensation expenses		0.13		0.22
Non-GAAP basic earnings per common share	\$	0.08	\$	0.14

Weighted average number of share outstanding used in computing GAAP diluted earnings		23,629,200		21,484,828
Weighted average number of share outstanding used in computing non-GAAP diluted earnings		23,629,200		21,522,447

GAAP diluted losses per common share	\$	(0.05)	\$	(0.08)
Add: share-based compensation expenses		0.13		0.22
Non-GAAP diluted earnings per common share	\$	0.08	\$	0.14

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

	As of June 30,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,214,029	\$ 18,396,987
Restricted cash	87,604	-
Accounts receivable, net	48,515,467	53,769,887
Prepayments, deposits and other assets, net	1,665,736	4,215,414
Amounts due from related parties	391,271	377,642
Total Current Assets	72,874,107	76,759,930
Non-current assets:		
Property and equipment, net	20,112,305	20,601,098
Intangible assets, net	726,175	970,044
Goodwill	-	2,363,841
Operating lease right-of-use assets	815,324	-
Long-term investments	456,598	610,386
Prepayments, deposits and other assets, net	252,656	248,456
Deferred tax assets, net	81,899	327,040
Total Assets	\$ 95,319,064	\$ 101,880,795
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	\$ 10,554,617	\$ 14,474,363
Accounts payable	690,035	343,597
Accrued expenses and other current liabilities	324,021	352,402
Tax payables	2,503,375	2,355,066
Contract liabilities	918,470	587,140
Salaries and benefits payable	10,586,239	12,203,933
Operating lease liabilities	712,302	-
Amounts due to related party	24,889	66,884
Total Current Liabilities	26,313,948	30,383,385
Non-current liabilities		
Operating lease liabilities	104,114	-
Unrecognized tax benefits	2,320,918	2,587,194
Deferred tax liabilities	185,382	150,547
Other non-current liabilities	885,901	959,069
TOTAL LIABILITIES	29,810,263	34,080,195

Commitments and Contingencies

Shareholders' Equity

Common stock, \$0.0001 par value, 100,000,000 shares authorized; 23,650,122 shares issued and outstanding as of June 30, 2023; 22,444,822 shares issued and outstanding as of June 30, 2022

	2,365	2,244
Additional paid-in capital	58,183,383	55,705,209
Statutory reserves	5,356,828	5,071,876
Retained earnings	5,029,021	6,323,792
Accumulated other comprehensive losses	(3,990,594)	(550,248)
Total CLPS Incorporation's Shareholders' Equity	64,581,003	66,552,873
Noncontrolling Interests	927,798	1,247,727
Total Shareholders' Equity	65,508,801	67,800,600
Total Liabilities and Shareholders' Equity	\$ 95,319,064	\$ 101,880,795

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,	
	<u>2023</u>	<u>2022</u>
Revenue from third parties	\$ 150,298,963	\$ 151,970,357
Revenue from related parties	57,576	52,024
Cost of revenue from third parties (note 1)	(115,827,597)	(110,989,394)
Cost of revenue from related parties	(47,212)	(43,951)
Gross profit	<u>34,481,730</u>	<u>40,989,036</u>
Operating income (expenses):		
Selling and marketing expenses (note 1)	(3,300,555)	(4,103,066)
Research and development expenses	(8,336,999)	(7,971,145)
General and administrative expenses (note 1)	(21,641,317)	(23,045,664)
Impairment of goodwill	(2,382,538)	-
Subsidies and other operating income	1,256,070	1,536,394
Total operating expenses	<u>(34,405,339)</u>	<u>(33,583,481)</u>
Income from operations	76,391	7,405,555
Other income	1,123,612	854,250
Other expenses	<u>(430,357)</u>	<u>(575,605)</u>
Income before income tax and share of income in equity investees	769,646	7,684,200
Provision for income taxes	<u>674,344</u>	<u>3,045,992</u>
Income before share of income in equity investees	95,302	4,638,208
Share of income (loss) in equity investees, net of tax	<u>70,263</u>	<u>(50,297)</u>
Net income	165,565	4,587,911
Less: Net (loss) income attributable to noncontrolling interests	<u>(26,964)</u>	<u>132,483</u>
Net income attributable to CLPS Incorporation’s shareholders	<u>\$ 192,529</u>	<u>\$ 4,455,428</u>
Other comprehensive income (loss)		
Foreign currency translation losses	\$ (3,532,507)	\$ (1,828,542)
Less: Foreign currency translation losses attributable to noncontrolling interests	<u>(92,161)</u>	<u>(48,211)</u>
Other comprehensive losses attributable to CLPS Incorporation’s shareholders	<u>\$ (3,440,346)</u>	<u>\$ (1,780,331)</u>

Comprehensive (loss) income attributable to		
CLPS Incorporation's shareholders	\$ (3,247,817)	\$ 2,675,097
Comprehensive (loss) income attributable to noncontrolling interests	(119,125)	84,272
Comprehensive (loss) income	\$ (3,366,942)	\$ 2,759,369
Basic earnings per common share	\$ 0.01	\$ 0.21
Weighted average number of share outstanding – basic	23,153,976	20,924,683
Diluted earnings per common share	\$ 0.01	\$ 0.21
Weighted average number of share outstanding – diluted	23,153,976	21,057,063
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	16,212	36,906
Selling and marketing expenses	129,060	165,209
General and administrative expenses	2,333,024	6,982,747

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,	
	2023	2022
	(Audited)	(Audited)
Cost of revenues	\$ (115,874,809)	\$ (111,033,345)
Less: share-based compensation expenses	(16,212)	(36,906)
Non-GAAP cost of revenues	\$ (115,858,597)	\$ (110,996,439)
Selling and marketing expenses	\$ (3,300,555)	\$ (4,103,066)
Less: share-based compensation expenses	(129,060)	(165,209)
Non-GAAP selling and marketing expenses	\$ (3,171,495)	\$ (3,937,857)
General and administrative expenses	\$ (21,641,317)	\$ (23,045,664)
Less: share-based compensation expenses	(2,333,024)	(6,982,747)
Non-GAAP general and administrative expenses	\$ (19,308,293)	\$ (16,062,917)
Operating income	\$ 76,391	\$ 7,405,555
Add: share-based compensation expenses	2,478,296	7,184,862
Add: Impairment of goodwill	2,382,538	-
Non-GAAP operating income	\$ 4,937,225	\$ 14,590,417
Operating margin	0.1%	4.9%
Add: share-based compensation expenses	3.2%	4.7%
Non-GAAP operating margin	3.3%	9.6%
Net income	\$ 165,565	\$ 4,587,911
Add: share-based compensation expenses	2,478,296	7,184,862
Add: Impairment of goodwill	2,382,538	-
Non-GAAP net income	\$ 5,026,399	\$ 11,772,773
Net income attributable to CLPS Incorporation's shareholders	\$ 192,529	\$ 4,455,428
Add: share-based compensation expenses	2,478,296	7,184,862
Add: Impairment of goodwill	2,382,538	-

Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$	5,053,363	\$	11,640,290
----------------------------------------------------------------------------------	----	-----------	----	------------

Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		23,153,976		20,924,683
-------------------------------------------------------------------------------------------------------	--	------------	--	------------

GAAP basic earnings per common share	\$	0.01	\$	0.21
--------------------------------------	----	------	----	------

Add: share-based compensation expenses		0.21		0.35
----------------------------------------	--	------	--	------

Non-GAAP basic earnings per common share	\$	<u>0.22</u>	\$	<u>0.56</u>
-------------------------------------------------	----	-------------	----	-------------

Weighted average number of share outstanding used in computing GAAP and non-GAAP diluted earnings		23,153,976		21,057,063
---------------------------------------------------------------------------------------------------------	--	------------	--	------------

GAAP diluted earnings per common share	\$	0.01	\$	0.21
----------------------------------------	----	------	----	------

Add: share-based compensation expenses		0.21		0.34
----------------------------------------	--	------	--	------

Non-GAAP diluted earnings per common share	\$	<u>0.22</u>	\$	<u>0.55</u>
---------------------------------------------------	----	-------------	----	-------------