

CLPS Incorporation Reports Financial Results for the Second Half and Full Year of Fiscal 2020

HONG KONG, Oct. 22, 2020 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), today announced its financial results for the six months ended June 30, 2020 and full year of fiscal year 2020.

Second Half of Fiscal 2020 Highlights (all results compared to the six months ended June 30, 2019)

- Revenues increased by 37.2% to \$46.8 million from \$34.1 million.
- Gross profit increased by 25.1% to \$15.7 million from \$12.6 million.
- Net income attributable to CLPS Incorporation's shareholders was \$0.6 million, or \$0.04 basic and diluted earnings per share, compared to net loss attributable to CLPS Incorporation's shareholders of \$1.8 million, or \$0.13 basic and diluted losses per share.
- Non-GAAP net income attributable to CLPS Incorporation's shareholders¹ increased by 200.9% to \$3.5 million, or \$0.23 basic and diluted earnings per share, compared to \$1.2 million, or \$0.08 basic and diluted earnings per share (See **Use of Non-GAAP Financial Measures** below for a discussion of such measures as used in this press release).

Fiscal Year 2020 Highlights (all results compared to the twelve months ended June 30, 2019)

- Revenues increased by 37.7% to \$89.4 million from \$64.9 million.
- Gross profit increased by 31.0% to \$31.1 million from \$23.8 million.
- Net income attributable to CLPS Incorporation's shareholders was \$2.9 million, or \$0.20 basic and diluted earnings per share, compared to net loss attributable to CLPS Incorporation's shareholders of \$3.3 million, or \$0.24 basic and diluted losses per share.
- Non-GAAP net income attributable to CLPS Incorporation's shareholders¹ increased by 85.3% to \$6.9 million, or \$0.47 basic and diluted earnings per share, compared to \$3.7 million, or \$0.27 basic and diluted earnings per share (See Use of Non-GAAP Financial Measures below for a discussion of such measures as used in this press release).

Mr. Raymond Lin, Co-Founder and Chief Executive Officer of CLPS, commented, "As the disruption from the COVID-19 pandemic persists, the health and safety of our employees and their families, as well as our customers and business partners, have been and will continue to be our top priority. Despite the current circumstances, we are pleased to see stable growth in the second half and full year of fiscal 2020 in both our international and local markets. This year, we acquired Ridik to further expand our business in the Southeast Asia; in addition, we opened CLPS California, which will support our U.S. market. Locally, we have invested in Shenzhen Huaqin Robotics and Guangdong Zhichuang Software Technology to further enrich our business services and to provide better service to our clients."

"Cultivating young talent has always been important to us. We are currently cooperating with Technological and Higher Education Institute of Hong Kong and its information technology program to maintain a robust applicant pool and recruit young talent to join our company."

"Going forward, we will continue to expand our business and grow our market share, both internationally and locally. We hope to achieve sustainable, high-quality growth for CLPS as we create long-term value for our shareholders."

Ms. Rui Yang, acting Chief Financial Officer of CLPS, commented, "During the second half and full year of fiscal 2020, we are pleased to announce that our revenue increased by double digits year-over-year, by 37.2% and 37.7%, respectively. Net income attributable to CLPS Incorporation's shareholders was \$0.6 million in the second half and \$2.9 million in the full year of fiscal 2020. Our basic and diluted earnings per share in the second half of fiscal 2020 was \$0.04, and \$0.20 for the full-year fiscal 2020. Our non-GAAP basic and diluted earnings per share in the second half of fiscal year 2020 was \$0.23, and \$0.47 for the full year of fiscal 2020. With our strong balance sheet and outstanding services, we are fully confident in our ability to deliver sustainable value for our shareholders."

Second Half and Fiscal Year 2020 Financial Results

Revenues

In the second half of fiscal 2020, revenues increased by \$12.7 million, or 37.2%, to \$46.8 million from \$34.1 million in the prior year period. For the year ended June 30, 2020, revenues increased by \$24.5 million, or 37.7%, to \$89.4 million from \$64.9 million in the prior year period. This increase in revenue was mainly due to an increase in revenue from IT consulting services.

The number of clients increased by 53, or 30.5%, to 227 for the year ended June 30, 2020 from 174 in the prior year period. Revenues from top five clients accounted for 47.3% and 50.7% of the Company's total revenues for fiscal 2020 and 2019, respectively, which reflects decreased in revenue dependence from major clients.

Revenues by Service

Revenue from IT consulting services increased by \$13.5 million, or 42.3%, to \$45.5 million and accounted for 97.2% of total revenue in the second half of fiscal 2020, up from \$32.0 million, or 93.7% of total revenue, in the prior year period. For the year ended June 30, 2020, revenue from IT consulting services increased by \$25.3 million, or 41.1%, to \$87.1 million and accounted for 97.5% of total revenue, up from \$61.8 million, or 95.1% of total revenue, in the prior year period. The increase was due to increased demand for the Company's IT consulting service from banks and other financial institutions, primarily from existing clients. For the twelve months ended June 30, 2020 and 2019, 40.0% and 47.5% of IT consulting services revenue were from international banks, respectively.

Revenue from customized IT solution services decreased by \$1.0 million, or 45.4%, to \$1.1 million in the second half of fiscal 2020 from \$2.1 million. Revenue from customized IT solution services decreased by \$1.2 million, or 39.3%, to \$1.8 million for the year ended June 30, 2020, from \$3.0 million in the same period of the previous year. The decrease was primarily due to decreasing demand from existing clients.

Revenue from other services increased to \$0.2 million in the second half of fiscal year 2020 from \$0.04

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

Revenues by Operational Areas

Revenue from banking area increased by \$11.4 million, or 34.3% to \$44.5 million for the year ended June 30, 2020, from \$33.1 million in the prior year period. Revenue from banking area accounted for 49.8% and 51.2% of total revenues in fiscal 2020 and fiscal 2019, respectively.

Revenue from wealth management area increased by \$4.7 million, or 32.6% to \$19.2 million for the year ended June 30, 2020, from \$14.5 million in the prior year period. Revenue from wealth management area accounted for 21.5% and 22.4% of total revenues in fiscal 2020 and fiscal 2019, respectively.

Revenue from e-Commerce area increased by \$2.4 million, or 27.8% to \$11.1 million for the year ended June 30, 2020, from \$8.7 million in the prior year period. Revenue from e-Commerce area accounted for 12.4% and 13.4% of total revenues in fiscal 2020 and fiscal 2019, respectively.

Revenue from automotive area increased by \$1.6 million, or 77.3% to \$3.6 million for the year ended June 30, 2020, from \$2.0 million in the prior year period. Revenue from automotive area accounted for 4.1% and 3.2% of total revenues in fiscal 2020 and fiscal 2019, respectively.

Revenues by Geography

Revenue generated outside of mainland China increased by 110.0% to \$6.3 million in the second half of fiscal year 2020 from \$3.0 million in the prior year period. Revenue generated outside of mainland China increased by 133.2% to \$10.6 million for the year ended June 30, 2020 from \$4.5 million in the prior year period, accounted for 11.8% of total revenue compared to 7.0% 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 and Gross Margin

Gross profit increased by \$3.2 million, or 25.1%, to \$15.7 million in the second half of fiscal 2020 from \$12.6 million in the prior year period. Gross margin in the second half of fiscal 2020 decreased to 33.6% compared to 36.9% in the prior year period. The decrease in gross margin was primarily due to the increase in epidemic prevention cost during the COVID-19 outbreak.

Gross profit increased by \$7.3 million, or 31.0%, to \$31.1 million for the year ended June 30, 2020, from \$23.8 million in the prior year period. Gross margin decreased to 34.8% for the year ended June 30, 2020, compared to 36.6% in the prior year period. The decrease in gross margin was primarily due to the increase in epidemic prevention cost during the COVID-19 outbreak.

Operating Expenses

Selling and marketing expenses increased by \$0.5 million, or 37.3%, to \$1.7 million in the second half of fiscal 2020 from \$1.2 million in the prior year period. Selling and marketing expenses increased by \$0.9 million, or 40.4%, to \$3.1 million for the year ended June 30, 2020, from \$2.2 million in the prior year. The increase was due to the increase of salary expenses as new staffs were hired, enabling the implementation of the Company's global expansion strategy.

Research and development expenses increased by \$0.5 million, or 9.7%, to \$5.4 million in the second

half of fiscal 2020 from \$4.9 million in the prior year period. Research and development expenses increased by \$2.4 million, or 30.8%, to \$10.4 million for the year ended June 30, 2020 from \$8.0 million in the prior year period. The increase primarily resulted from the establishment of four new research projects and the Company's continued R&D efforts in big data, blockchain, and artificial intelligence (AI).

General and administrative expenses increased by \$0.2 million, or 2.7%, to \$8.4 million in the second half of fiscal 2020 from \$8.2 million in the prior year period. After excluding the impact of non-cash share-based compensation expenses, non-GAAP general and administrative expenses² increased by \$0.4 million, or 8.0%, to \$5.7 million in the second half of fiscal 2020 from \$5.3 million in the same period of the previous year. The increase in non-GAAP administrative expenses was primarily due to an increase in administrative personnel and M&A related expenses as a result of business expansion.

General and administrative expenses decreased by \$1.1 million, or 6.0%, to \$16.3 million for the year ended June 30, 2020, from \$17.4 million in the prior year period. The decrease was primarily due to the decrease of \$3.2 million non-cash share-based compensation expenses. After the deduction of non-cash share-based compensation expenses, non-GAAP general and administrative expenses² increased by \$2.1 million, or 20.5%, to \$12.6 million for the year ended June 30, 2020, from \$10.4 million in the same period of the previous year. The increase in non-GAAP administrative expenses was primarily due to an increase in administrative personnel and M&A related expenses as a result of business expansion.

Operating Income/Loss

Operating income increased by \$1.82 million to \$0.04 million in the second half of fiscal 2020 from a loss of \$1.78 million in the same period of the previous year. Operating margin was 0.1% in the second half of fiscal 2020, compared to -5.2% in the prior year period.

Operating income increased by \$5.1 million to \$1.3 million for the year ended June 30, 2020 from a loss of \$3.8 million in the same period of the previous year. Operating margin was 1.4% for the year ended June 30, 2020, compared to -5.8% in the prior year period.

Other Income and Expenses

Total other income, net of other expenses increased to \$1.1 million in the second half of fiscal 2020 from \$0.1 million in the prior year period.

Total other income, net of other expenses increased to \$2.4 million for the year ended June 30, 2020, from \$0.7 million in the prior year period.

Provision (Benefits) for Income Taxes

Provision for income taxes increased by \$0.5 million to \$0.4 million in the second half of fiscal 2020 from \$0.1 million income tax benefits in the same period of the previous year, mainly due to the reduction in recoverable losses for some of the Company's subsidiaries.

Provision for income taxes was \$0.8 million for the year ended June 30, 2020, compared to \$0.2 million in fiscal 2019, mainly due to the reduction in recoverable losses for some of the Company's subsidiaries.

Net Income/Loss and EPS

Net income for the second half of fiscal 2020 increased by \$2.5 million to \$0.8 million from a net loss of \$1.7 million in the prior year period. After excluding the impact of non-cash share-based compensation

expenses, non-GAAP net income³ increased by \$2.4 million, or 196.7%, to \$3.7 million in the second half of fiscal 2020 from \$1.3 million in the same period of the previous year. After excluding the impact of non-controlling interests, net income attributable to CLPS Incorporation's shareholders in the second half of fiscal 2020 was \$0.6 million, or \$0.04 basic and diluted earnings per share. 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 2020 was \$3.5 million, or \$0.23 basic and diluted earnings per share. This is compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$1.2 million, or \$0.08 basic and diluted earnings per share, in the second half of fiscal 2019.

Net income for the year ended June 30, 2020 increased by \$6.5 million to \$3.1 million from a net loss of \$3.4 million in the prior year period. The increase in net income was due to the decrease in non-cash share-based compensation expenses. After the deduction of non-cash share-based compensation expenses, non-GAAP net income³ increased by \$3.5 million, or 97.7%, to \$7.1 million for the year ended June 30, 2020, from \$3.6 million in the same period of the previous year. After the deduction of non-controlling interests, net income attributable to CLPS Incorporation's shareholders for the year ended June 30, 2020, was \$2.9 million, or \$0.20 basic and diluted earnings per share. After excluding the impact of non-cash share-based compensation expenses, non-GAAP net income attributable to CLPS Incorporation's shareholders¹ for the year ended June 30, 2020, was \$6.9 million, or \$0.47 basic and diluted earnings per share. This is compared to non-GAAP net income attributable to CLPS Incorporation's shareholders of \$3.7 million, or \$0.27 basic and diluted earnings per share, in the prior year period.

Cash Flow

As of June 30, 2020, the Company had cash and cash equivalents of \$12.7 million compared to \$6.6 million as of June 30, 2019.

Net cash provided by operating activities was approximately \$5.9 million for the twelve months ended June 30, 2020. Net cash provided by investing activities was approximately \$0.2 million. Net cash provided by financing activities was approximately \$0.1 million. The effect of exchange rate change on cash was approximately negative \$0.2. 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 2021, 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 2020 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, potential accounting adjustments attributable to Ridik Pte. Ltd. acquisition as well as 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, 2020, were translated at 7.0651 RMB to 1.00 USD compared to 6.8650 RMB to 1.00 USD as of June 30, 2019. The equity accounts were stated at their historical rate. The average translation rates applied to the income statements accounts for the periods ended June 30, 2020 and 2019 were 7.0309 RMB to 1.00 USD and 6.8211 RMB to 1.00 USD, respectively. The change in the value of the RMB relative to the U.S.dollar may affect our financial results reported in the U.S, dollar terms without giving effect to any underlying change in our business or results of operation.

Conference Call Information

The Company will hold a conference call at 8:30 am ET on October 23, 2020 to discuss second half and full year of fiscal 2020 results. Listeners may access the call by dialing:

U.S. Toll-Free: +1-888-394-8218

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

Mainland China: 400 120 8590

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 <http://ir.clpsglobal.com>.

A replay of the call will be available through November 6, 2020 by dialing:

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

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

Passcode: 1612001

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 18 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, Chengdu, Guangzhou, Shenzhen, Hangzhou, and Suzhou. The remaining eight global centers are located in Hong Kong SAR, USA, UK, Japan, Singapore, Malaysia, Australia, and India. For further information regarding the Company, please visit: <http://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 2020, its expectations of the Company's future performance, its preliminary outlook and guidance offered in this presentation, as well as the risks and uncertainties described in the Company's most recently filed SEC reports and filings. Such reports are available upon request from the Company, or from the Securities and Exchange Commission, including through the SEC's Internet website at <http://www.sec.gov>. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date hereof, or after the respective dates on which any such statements otherwise are made.

Use of Non-GAAP Financial Measures

The unaudited condensed consolidated financial information is prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except that the consolidated statement of changes in shareholders' equity, consolidated statements of cash flows, and the detailed notes have not been presented. The Company uses non-GAAP operating income, non-GAAP operating margin, non-GAAP net income attributable to CLPS Incorporation's shareholders, and basic and diluted non-GAAP net income per share, which are non-GAAP financial measures. Non-GAAP operating income is operating income excluding share-based compensation expenses. Non-GAAP operating margin is non-GAAP operating income as a percentage of revenues. Non-GAAP net income attributable to CLPS Incorporation's shareholders is net income attributable to CLPS Incorporation's shareholders excluding share-based compensation expenses. Basic and diluted non-GAAP net income per share is non-GAAP net income attributable to common shareholders divided by weighted average number of shares used in the calculation of basic and diluted net income per share. The Company believes that separate analysis and exclusion of the non-cash impact of share-based compensation expenses clarity to the constituent parts of its performance. The Company reviews these non-GAAP financial measures together with GAAP financial measures to obtain a better understanding of its operating performance. It uses the non-GAAP financial measure for planning, forecasting and measuring results against the forecast. The Company believes that non-GAAP financial measure is useful supplemental information for investors and analysts to assess its operating performance without the effect of non-cash share-based compensation expenses, which have been and will continue to be significant recurring expenses in its business. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact the Company's net income for the period. In addition, because non-GAAP financial measures are not measured in the same manner by all companies, they may not be comparable to other similar titled measures used by other

companies. In light of the foregoing limitations, you should not consider non-GAAP financial measure in isolation from or as an alternative to the financial measure prepared in accordance with U.S.GAAP.

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

Oct. 23, 2020

Errata: "The effect of exchange rate change on cash was approximately negative \$0.2." should have been "The effect of exchange rate change on cash was approximately negative \$0.2 million."

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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 the Company excluding share-based compensation expenses. Please refer to the section titled "Reconciliation of GAAP and Non-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 GAAP and Non-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 GAAP and Non-GAAP Results" for details.

CLPS INCORPORATION
CONSOLIDATED BALANCE SHEETS

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

	<u>As of June 30,</u> <u>2020</u> <u>(Audited)</u>	<u>As of December 31,</u> <u>2019</u> <u>(Unaudited)</u>
ASSETS		

Current assets		
Cash and cash equivalents	\$ 12,652,120	\$ 11,234,260
Short-term investments	636,934	-
Accounts receivable, net	25,753,856	20,857,441
Escrow receivable	-	200,000
Prepayments, deposits and other assets, net	1,280,967	1,998,499
Prepaid income tax	15,780	524,352
Amounts due from related parties	169,185	252,706
Total Current Assets	<u>40,508,842</u>	<u>35,067,258</u>
Property and equipment, net	452,472	471,886
Intangible assets, net	1,144,579	1,240,490
Goodwill	2,118,700	2,184,001
Long-term investments	680,131	1,102,691
Prepayments, deposits and other assets, net	244,387	220,661
Deferred tax assets, net	203,247	251,912
Total Assets	<u>\$ 45,352,358</u>	<u>\$ 40,538,899</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Short-term bank loans	\$ 2,161,239	\$ 802,514
Accounts payable and other current liabilities	489,043	1,006,896
Tax payables	1,426,614	1,178,472
Contract liabilities	755,178	1,241,706
Salaries and benefits payable	11,522,268	10,789,713
Total Current Liabilities	<u>16,354,342</u>	<u>15,019,301</u>
Long-term bank loans	22,554	-
Deferred tax liabilities	163,163	192,127
Unrecognized tax benefits	194,939	-
TOTAL LIABILITIES	16,734,998	15,211,428
Commitments and Contingencies		

Shareholders' Equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 15,930,330 shares issued and outstanding as of June 30, 2020; 13,913,201 shares issued and outstanding as of June 30, 2019. *	1,593	1,425
Additional paid-in capital	28,586,048	25,648,785
Statutory reserves	2,803,811	2,331,138
Retained earnings	(2,680,143)	(2,776,767)
Accumulated other comprehensive loss	(1,362,665)	(960,744)

Total CLPS Incorporation's Shareholders' Equity	<u>27,348,644</u>	<u>24,243,837</u>
Non-controlling Interests	<u>1,268,716</u>	<u>1,083,634</u>
Total Shareholders' Equity	<u>28,617,360</u>	<u>25,327,471</u>
Total Liabilities and Shareholders' Equity	<u>\$ 45,352,358</u>	<u>\$ 40,538,899</u>

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

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

	For the six months ended	
	June 30,	
	<u>2020</u>	<u>2019</u>
Revenues	\$ 46,847,534	\$ 34,137,189
Less: Cost of revenues (note 1)	(31,104,457)	(21,552,693)
Gross profit	<u>15,743,077</u>	<u>12,584,496</u>
Operating expenses:		
Selling and marketing expenses (note 1)	1,655,650	1,206,153
Research and development expenses	5,416,455	4,939,522
General and administrative expenses (note 1)	8,446,840	8,223,126
Other operating expense	187,496	-
Total operating expenses	<u>15,706,441</u>	<u>14,368,801</u>
Income (loss) from operations	36,636	(1,784,305)
Subsidies and other income, net	1,163,956	156,352
Other expenses	<u>(77,229)</u>	<u>(30,712)</u>
Income (loss) before income tax and share of loss in equity investees	1,123,363	(1,658,665)
Provision (benefits) for income taxes	<u>446,601</u>	<u>(56,283)</u>
Income (loss) before share of income in equity investees	676,762	(1,602,382)

Share of income in equity investees, net of tax	107,895	(145,329)
Net income (loss)	<u>784,657</u>	<u>(1,747,711)</u>
Less: Net income attributable to non-controlling interests	<u>215,359</u>	<u>89,434</u>
Net income (loss) attributable to CLPS Incorporation's shareholders	<u>\$ 569,298</u>	<u>\$ (1,837,145)</u>
Other comprehensive loss (income)		
Foreign currency translation loss	\$ (432,198)	\$ (58,964)
Less: foreign currency translation (loss) gain attributable to non-controlling interest	<u>(30,277)</u>	<u>2,052</u>
Other comprehensive loss attributable to CLPS Incorporation's shareholders	<u>\$ (401,921)</u>	<u>\$ (61,016)</u>
Comprehensive income (loss) attributable to CLPS Incorporation shareholders	\$ 167,377	\$ (1,898,161)
Non-controlling interests	<u>184,562</u>	<u>91,486</u>
	<u>\$ 351,939</u>	<u>\$ (1,806,675)</u>
Basic earnings (loss) per common share*	<u>\$ 0.04</u>	<u>\$ (0.13)</u>
Weighted average number of share outstanding – basic	<u>15,169,655</u>	<u>13,889,460</u>
Diluted earnings (loss) per common share*	<u>\$ 0.04</u>	<u>\$ (0.13)</u>
Weighted average number of share outstanding – diluted (note 2)	<u>15,212,010</u>	<u>13,889,460</u>
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	<u>9,042</u>	<u>9,472</u>
Selling and marketing expenses	<u>181,257</u>	<u>46,100</u>
General and administrative expenses	<u>2,747,132</u>	<u>2,946,803</u>

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

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

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

	For the six months ended	
	June 30,	
	2020	2019
Cost of revenues	\$ (31,104,457)	\$ (21,552,693)
Less: share-based compensation expenses	9,042	9,472
Non-GAAP cost of revenues	\$ (31,095,415)	\$ (21,543,221)
Selling and marketing expenses	\$ 1,655,650	\$ 1,206,153
Less: share-based compensation expenses	181,257	46,100
Non-GAAP selling and marketing expenses	\$ 1,474,393	\$ 1,160,053
General and administrative expenses	\$ 8,446,840	\$ 8,223,126
Less: share-based compensation expenses	2,747,132	2,946,803
Non-GAAP general and administrative expenses	\$ 5,699,708	\$ 5,276,323
Operating income (loss)	\$ 36,636	\$ (1,784,305)
Add: share-based compensation expenses	2,937,431	3,002,375
Non-GAAP operating income	\$ 2,974,067	\$ 1,218,070
Operating margin	0.1%	(5.2%)
Add: share-based compensation expenses	6.2%	8.8%
Non-GAAP operating margin	6.3%	3.6%
Net income (loss)	\$ 784,657	\$ (1,747,711)
Add: share-based compensation expenses	2,937,431	3,002,375
Non-GAAP net income	\$ 3,722,088	\$ 1,254,664
Net income (loss) attributable to CLPS Incorporation's shareholders	\$ 569,298	\$ (1,837,145)

Add: share-based compensation expenses	2,937,431	3,002,375
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$ 3,506,729	\$ 1,165,230
Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings	15,169,655	13,889,460
GAAP basic earnings (loss) per common share	\$ 0.04	\$ (0.13)
Add: share-based compensation expenses	0.19	0.21
Non-GAAP basic earnings per common share	\$ 0.23	\$ 0.08
Weighted average number of share outstanding used in computing GAAP diluted earnings	15,212,010	13,889,460
Add: effect of dilutive securities (note 1)	-	184,316
Weighted average number of share outstanding used in computing non-GAAP diluted earnings	15,212,010	14,073,776
GAAP diluted earnings (loss) per common share	\$ 0.04	\$ (0.13)
Add: share-based compensation expenses	0.19	0.21
Non-GAAP diluted earnings per common share	\$ 0.23	\$ 0.08

Note:

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

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

	As of June 30,	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 12,652,120	\$ 6,601,335
Short-term investments	636,934	1,791,697
Accounts receivable, net	25,753,856	19,263,584
Escrow receivable	-	200,000
Prepayments, deposits and other assets, net	1,280,967	1,028,154
Prepaid income tax	15,780	630,790
Amounts due from related parties	169,185	230,540
Total Current Assets	40,508,842	29,746,100
Property and equipment, net	452,472	566,591
Intangible assets, net	1,144,579	427,769
Goodwill	2,118,700	447,790
Long-term investments	680,131	914,006
Prepayments, deposits and other assets, net	244,387	222,507
Deferred tax assets, net	203,247	338,221
Total Assets	\$ 45,352,358	\$ 32,662,984
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank loans	\$ 2,161,239	\$ 2,184,996
Accounts payable and other current liabilities	489,043	196,832
Tax payables	1,426,614	915,629
Deferred subsidies	-	109,250
Deferred revenues	-	124,192
Contract liabilities	755,178	-
Salaries and benefits payable	11,522,268	7,735,487
Total Current Liabilities	16,354,342	11,266,386
Long-term bank loans	22,554	-
Deferred tax liabilities	163,163	-
Unrecognized tax benefits	194,939	-
TOTAL LIABILITIES	16,734,998	11,266,386
Commitments and Contingencies		
Shareholders' Equity		
Common stock, \$0.0001 par value, 100,000,000 shares authorized;		
15,930,330 shares issued and outstanding as of June 30, 2020;		
13,913,201 shares issued and outstanding as of June 30, 2019. *		
	1,593	1,391

Additional paid-in capital	28,586,048	24,276,622
Statutory reserves	2,803,811	1,833,802
Retained earnings	(2,680,143)	(4,509,729)
Accumulated other comprehensive loss	(1,362,665)	(813,650)
Total CLPS Incorporation's Shareholders' Equity	<u>27,348,644</u>	<u>20,788,436</u>
Non-controlling Interests	<u>1,268,716</u>	<u>608,162</u>
Total Shareholders' Equity	<u>28,617,360</u>	<u>21,396,598</u>
Total Liabilities and Shareholders' Equity	<u>\$ 45,352,358</u>	<u>\$ 32,662,984</u>

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

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>2020</u>	<u>2019</u>
Revenues	\$ 89,415,798	\$ 64,932,937
Less: Cost of revenues (note 1)	(58,296,097)	(41,178,356)
Gross profit	<u>31,119,701</u>	<u>23,754,581</u>
Operating expenses:		
Selling and marketing expenses (note 1)	3,059,877	2,179,029
Research and development expenses	10,436,975	7,978,883
General and administrative expenses (note 1)	16,343,936	17,384,393
Total operating expenses	<u>29,840,788</u>	<u>27,542,305</u>
Income (loss) from operations	1,278,913	(3,787,724)
Subsidies and other income, net	2,535,868	779,508
Other expenses	<u>(107,322)</u>	<u>(92,429)</u>

Income (loss) before income tax and share of income (loss) in equity investees	3,707,459	(3,100,645)
Provision for income taxes	835,444	186,615
Income (loss) before share of income (loss) in equity investees	2,872,015	(3,287,260)
Share of income (loss) in equity investees, net of tax	207,363	(145,329)
Net income (loss)	3,079,378	(3,432,589)
Less: Net income (loss) attributable to non-controlling interests	141,139	(162,813)
Net income (loss) attributable to CLPS Incorporation's shareholders	\$ 2,938,239	\$ (3,269,776)
Other comprehensive loss		
Foreign currency translation loss	\$ (571,943)	\$ (429,348)
Less: foreign currency translation loss attributable to non-controlling interests	(22,928)	(17,375)
Other comprehensive loss attributable to CLPS Incorporation's shareholders	\$ (549,015)	\$ (411,973)
Comprehensive income (loss) attributable to CLPS Incorporation shareholders	\$ 2,389,224	\$ (3,681,749)
Non-controlling interests	118,211	(180,188)
	<u>\$ 2,507,435</u>	<u>\$ (3,861,937)</u>
Basic earnings (loss) per common share*	<u>\$ 0.20</u>	<u>\$ (0.24)</u>
Weighted average number of share outstanding – basic	14,689,224	13,843,764
Diluted earnings (loss) per common share*	<u>\$ 0.20</u>	<u>\$ (0.24)</u>
Weighted average number of share outstanding – diluted (note 2)	14,692,299	13,843,764
Note:		
(1) Includes share-based compensation expenses as follows:		
Cost of revenues	14,110	9,472
Selling and marketing expenses	211,573	46,100
General and administrative expenses	3,778,397	6,960,517

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

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

issuance.

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

	For the years ended June 30,	
	2020	2019
Cost of revenues	\$ (58,296,097)	\$ (41,178,356)
Less: share-based compensation expenses	14,110	9,472
Non-GAAP cost of revenues	\$ (58,281,987)	\$ (41,168,884)
Selling and marketing expenses	\$ 3,059,877	\$ 2,179,029
Less: share-based compensation expenses	211,573	46,100
Non-GAAP selling and marketing expenses	\$ 2,848,304	\$ 2,132,929
General and administrative expenses	\$ 16,343,936	\$ 17,384,393
Less: share-based compensation expenses	3,778,397	6,960,517
Non-GAAP general and administrative expenses	\$ 12,565,539	\$ 10,423,876
Operating income (loss)	\$ 1,278,913	\$ (3,787,724)
Add: share-based compensation expenses	4,004,080	7,016,089
Non-GAAP operating income	\$ 5,282,993	\$ 3,228,365
Operating Margin	1.4%	(5.8%)
Add: share-based compensation expenses	4.5%	10.8%
Non-GAAP operating margin	5.9%	5.0%
Net income (loss)	\$ 3,079,378	\$ (3,432,589)
Add: share-based compensation	4,004,080	7,016,089

expenses		
Non-GAAP net income	\$	\$
	<u>7,083,458</u>	<u>3,583,500</u>
Net income (loss) attributable to CLPS Incorporation's shareholders	\$	\$
	2,938,239	(3,269,776)
Add: share-based compensation expenses		
	<u>4,004,080</u>	<u>7,016,089</u>
Non-GAAP net income attributable to CLPS Incorporation's shareholders	\$	\$
	<u>6,942,319</u>	<u>3,746,313</u>
Weighted average number of share outstanding used in computing GAAP and non-GAAP basic earnings		
	14,689,224	13,843,764
GAAP basic earnings (loss) per common share	\$	\$
	0.20	(0.24)
Add: share-based compensation expenses		
	<u>0.27</u>	<u>0.51</u>
Non-GAAP basic earnings per common share	\$	\$
	<u>0.47</u>	<u>0.27</u>
Weighted average number of share outstanding used in computing GAAP diluted earnings		
	14,692,299	13,843,764
Add: effect of dilutive securities (note 1)		
	<u>-</u>	<u>194,824</u>
Weighted average number of share outstanding used in computing non-GAAP diluted earnings		
	<u>14,692,299</u>	<u>14,038,588</u>
GAAP diluted earnings (loss) per common share	\$	\$
	0.20	(0.24)
Add: share-based compensation expenses		
	<u>0.27</u>	<u>0.51</u>
Non-GAAP diluted earnings per common share	\$	\$
	<u>0.47</u>	<u>0.27</u>

Note:

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