



Datasea Reports Second Quarter Fiscal Year 2022 Earnings and Provides Business Updates

Datasea Inc. (NASDAQ: DTSS) (“Datasea” or the “Company”), incorporated in Nevada in September 2014, is a digital technology corporation engaged in three converging and innovative business segments: 5G messaging, acoustic intelligence and smart city in China, today announced financial results for the quarter ended December 31, 2021 and provided an update on its key strategic and operational initiatives.

“Datasea had a solid quarter as our 5G messaging business started to demonstrate its great value and capability to improve the Company’s competitiveness and create new sources of revenue and profits. As one of the first movers in this industry, Datasea has been a leading 5G messaging service provider in China. We will continue to leverage our advantages of entering the market early to build brand recognition and customer loyalty,” said Zhixin Liu, CEO of Datasea. “Benefiting from our proprietary technologies and great synergy effects among the business lines, such as acoustic intelligence and smart city, we believe that our business development is on track and is supported by a strong product portfolio. Datasea’s business goals are to focus on the sustainable development, and we are integrating it into every business decision.”

Second Quarter 2022 Financial Highlights

- Revenue was \$8,979,479 and \$126,184 for the three months ended December 31, 2021 and 2020, respectively, representing an increase of \$8,853,295, or 7016%.
- Gross profit was \$246,299 and \$86,070 for the three months ended December 31, 2021 and 2020, respectively, representing an increase of \$160,229, or 186%. The increase in gross profit was mainly due to the delivery of services related to the 5G SMS service platform in 2021.
- R&D expenses were \$432,355 and \$134,509 for the three months ended December 31, 2021 and 2020, respectively, representing an increase of \$297,846, or 221%.

- 5G messaging sales revenue increased more than 900% this quarter, compared with the immediate prior quarter ended September 30, 2021, representing nine-month consecutive growth.

Second Quarter 2022 Business Highlights

5G Messaging

- **Client expansion.** Since 2021, as a leading service provider in the field of 5G messaging in China, the Company has been engaged for services by 100+ institutional clients from express delivery, catering, tourism, e-commerce, financing, and technology industry to establish message marketing cloud platform (“5G MMCP”).
- **Marketing and sales expansion.** From October 2021 to the end of December 2021, the Company was engaged in various contracts that were related to SMS, integrated 5G message marketing cloud platform (“5G IMMCP”) and value-added services, with a total contract value of approximately \$14.73 million, among which \$9.6 million worth of services have been delivered.
- **Industry recognition.** In December 2021, the Company assisted ZTO Express to complete the first placement order through 5G messaging services in express delivery industry. The Company cooperated with the National Engineering Laboratory for Logistics Information Technology (“National Engineering Laboratory”), and continually worked to promote the formulation of 5G Messaging standards in the express industry.

Acoustic Intelligence

The Company commits to tap acoustic intelligence’s full business potential and wield acoustic intelligence across industries in meaningful ways.

- **Research Partnerships.** The Company has entered into partnerships with top-notch institutions in this area, equipped itself with solid R&D capability, and released China’s inaugural white paper “Industry Development and Technology Application of

Acoustic Intelligence in China” with co-authors, Institute of Cloud Computing and Big Data, China Academy of Information and Communications Technology.

- **Product lineup.** Currently, the Company has four flagship products to unfold the commercial possibilities of acoustic intelligence in the most wanted areas such as health, security, and environment protection. These products are 1) ultrasonic sound sterilization and antivirus equipment (the first-ever sterilization and antivirus equipment that combines ultrasonic sound effects with optics to address the Covid-19 disinfecting needs); 2) Tianer voice recognition alarm; 3) directional sound recognizer (a solution for noise pollution); 4) sound effect refreshing directional sound device. Datasea has prepared samples, completed laboratory tests and user pilot tests, entered mass production to varying degrees for these products, and they are expected to be introduced to the market in the fiscal year of 2022.

Smart City

- **Client expansion.** From October 2021 to the end of December 2021, the Company was engaged in various contracts that were related to smart community solutions and food safety supervision system of the Smart Canteen.
- **Product update.** The Company recently laid out a series of upgrades to meet with the client needs in different scenarios and enhance the system’s analysis efficiency and integration capability.

Webcast and Conference Call Information

The Company will host a conference call and webcast to discuss its financial results at 8 a.m. ET (9 p.m. Beijing and Hong Kong Time) on Monday, February 14, 2022.

Dial-in details for the earnings conference call are as follows:

Toll Free: 1-877-451-6152

Toll/International: 1-201-389-0879

Participants should dial-in at least 5 minutes before the scheduled start time. Additionally, a live and archived webcast of the conference call will be available at:

https://viaavid.webcasts.com/starthere.jsp?ei=1530184&tp_key=e52c484915

A replay of the conference call will be accessible approximately soon after the conclusion of the live, by dialing the following telephone numbers:

Toll Free: 1-844-512-2921

Toll/International: 1-412-317-6671

Replay Pin Number: 13727206

Replay Start: Monday February 14, 2022, 11:00 AM ET

Replay Expiry: Monday February 21, 2022, 11:59 PM ET

About Datasea Inc.

Datasea Inc., through its variable interest entity, Shuhai Information Technology Co., Ltd., a digital technology company in China, engages in three converging and innovative industries: smart city, acoustic intelligence and 5G messaging. Datasea leverages facial recognition technology and other visual intelligence algorithms, combined with cutting-edge acoustic and non-visual intelligence algorithms, to provide smart city solutions that meet the security needs of residential communities, schools and commercial enterprises. Most recently, in response to the growing utilization of 5G technologies and the overall initiative to utilize Datasea's technology capabilities to expand business coverage and revenue resources, Datasea has also strategically expanded business coverage to 5G messaging and smart payment solutions. Datasea has been certified as one of the High Tech Enterprises (jointly issued by the Beijing Science and Technology Commission, Beijing Finance Bureau, Beijing State Taxation Bureau and Beijing Local Taxation Bureau) and one of the Zhongguancun High Tech Enterprises (issued by the Zhongguancun Science Park Administrative Committee) in recognition of the company's achievement in high technology products. For additional company information, please visit: www.dataseainc.com. Datasea routinely posts important information on its website.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and as defined in the U.S. Private Securities Litigation

Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will", "expects", "anticipates", "future", "intends", "plans", "believes", "estimates", "target", "going forward", "outlook," "objective" and similar terms. Such statements are based upon management's current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and which are beyond Datasea's control, which may cause Datasea's actual results, performance or achievements (including the RMB/USD value of its anticipated benefit to Datasea as described herein) to differ materially and in an adverse manner from anticipated results contained or implied in the forward-looking statements. Further information regarding these and other risks, uncertainties or factors is included in Datasea's filings with the U.S. Securities and Exchange Commission, which are available at www.sec.gov. Datasea does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under law.

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**DATASEA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)**

	SIX MONTHS ENDED DECEMBER 31,		THREE MONTHS ENDED DECEMBER 31,	
	2021	2020	2021	2020
Revenues	\$ 9,650,609	\$ 135,239	\$ 8,979,479	\$ 126,184
Cost of goods sold	9,340,715	57,013	8,733,180	40,114
Gross profit	<u>309,894</u>	<u>78,226</u>	<u>246,299</u>	<u>86,070</u>
Operating expenses				
Selling	386,991	174,036	156,192	119,971
General and administrative	2,618,280	1,431,972	1,498,809	812,536
Research and development	719,571	329,235	432,355	134,509

Total operating expenses	<u>3,724,842</u>	<u>1,935,243</u>	<u>2,087,356</u>	<u>1,067,016</u>
Loss from operations	(3,414,948)	(1,857,017)	(1,841,057)	(980,946)
Non-operating income (expenses)				
Other income (expenses)	5,247	(12,202)	5,224	(19,854)
Interest income	<u>32,893</u>	<u>1,804</u>	<u>12,359</u>	<u>208</u>
Total non-operating income (expenses), net	<u>38,140</u>	<u>(10,398)</u>	<u>17,583</u>	<u>(19,646)</u>
Loss before income tax	(3,376,808)	(1,867,415)	(1,823,474)	(1,000,592)
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss before noncontrolling interest	(3,376,808)	(1,867,415)	(1,823,474)	(1,000,592)
Less: loss attributable to noncontrolling interest	<u>(258,281)</u>	<u>(36,555)</u>	<u>(146,181)</u>	<u>(36,555)</u>
Net loss to the Company	(3,118,527)	(1,830,860)	(1,677,293)	(964,037)
Other comprehensive item				
Foreign currency translation gain attributable to the Company	69,992	112,543	74,689	54,064
Foreign currency translation gain (loss) attributable to noncontrolling interest	<u>2,294</u>	<u>(1,390)</u>	<u>2,548</u>	<u>(1,390)</u>
Comprehensive loss attributable to the Company	<u>\$ (3,048,535)</u>	<u>\$ (1,718,317)</u>	<u>\$ (1,602,604)</u>	<u>\$ (909,973)</u>
Comprehensive loss attributable to noncontrolling interest	<u>\$ (255,987)</u>	<u>\$ (37,945)</u>	<u>\$ (143,633)</u>	<u>\$ (37,945)</u>
Basic and diluted net loss per share	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ (0.07)</u>	<u>\$ (0.05)</u>
Weighted average shares used for computing basic and diluted loss per share	<u>\$23,637,930</u>	<u>\$21,088,837</u>	<u>23,919,867</u>	<u>21,233,829</u>

DATASEA INC.
CONSOLIDATED BALANCE SHEETS

	<u>DECEMBER 31,</u> <u>2021</u>	<u>JUNE 30,</u> <u>2021</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,240,708	\$ 49,676
Accounts receivable	5,223,231	1,856
Inventory	210,808	194,264

Value-added tax prepayment	156,995	171,574
Prepaid expenses and other current assets	1,297,321	468,615
Total current assets	<u>9,129,063</u>	<u>885,985</u>
NONCURRENT ASSETS		
Security deposit for rents	275,170	256,987
Long term investment	62,738	-
Property and equipment, net	249,393	309,408
Intangible assets, net	1,195,303	1,092,147
Right-of-use assets, net	962,056	1,350,590
Total noncurrent assets	<u>2,744,660</u>	<u>3,009,132</u>
TOTAL ASSETS	<u>\$ 11,873,723</u>	<u>\$ 3,895,117</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 5,022,008	\$ 174,718
Unearned revenue	256,108	189,527
Deferred revenue	47,053	46,439
Accrued expenses and other payables	502,909	561,674
Due to related party	56,541	69,305
Loans payable	-	1,486,819
Operating lease liabilities	688,520	730,185
Total current liabilities	<u>6,573,139</u>	<u>3,258,667</u>
NONCURRENT LIABILITIES		
Operating lease liabilities	229,024	558,739
Total noncurrent liabilities	<u>229,024</u>	<u>558,739</u>
TOTAL LIABILITIES	6,802,163	3,817,406
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 375,000,000 shares authorized, 24,244,130 and 21,474,138 shares issued and outstanding, respectively	24,244	21,474
Additional paid-in capital	20,382,389	12,086,788
Accumulated comprehensive income	343,242	273,250
Accumulated deficit	(15,180,385)	(12,061,858)
TOTAL COMPANY STOCKHOLDERS' EQUITY	<u>5,569,490</u>	<u>319,654</u>
Noncontrolling interest	(497,930)	(241,943)
TOTAL EQUITY	<u>5,071,560</u>	<u>77,711</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 11,873,723</u>	<u>\$ 3,895,117</u>

(UNAUDITED)

	SIX MONTHS ENDED DECEMBER 31	
	2021	2020
Cash flows from operating activities:		
Loss including noncontrolling interest	\$(3,376,808)	\$(1,867,415)
Adjustments to reconcile loss including noncontrolling interest to net cash used in operating activities:		
Loss on disposal on fixed assets	460	-
Depreciation and amortization	233,544	68,239
Bad debt expense	286,055	-
Operating lease expense	435,762	369,810
Stock compensation expense	294,750	-
Changes in assets and liabilities:		
Accounts receivable	(5,175,377)	-
Inventory	(13,850)	(27,296)
Value-added tax prepayment	16,702	(49,206)
Prepaid expenses and other current assets	(1,165,822)	(123,475)
Accounts payable	4,803,114	22,838
Advance from customers	63,507	-
Accrued expenses and other payables	191,289	89,762
Payment on operating lease liabilities	(417,948)	(329,549)
Net cash used in operating activities	(3,824,622)	(1,846,292)
Cash flows from investing activities:		
Acquisition of property and equipment	(23,787)	(91,214)
Acquisition of intangible assets	(198,151)	(8,482)
Long-term investment	(62,186)	-
Net cash used in investing activities	(284,124)	(99,696)
Cash flows from financing activities:		
Due to related parties	(13,391)	-
Payment of loan payable	(1,493,237)	-
Proceeds from capital contribution from a major shareholder	62,186	-
Net proceeds from issuance of common stock	7,681,796	931,000
Net cash provided by financing activities	6,237,354	931,000
Effect of exchange rate changes on cash	62,424	23,449
Net increase (decrease) in cash	2,191,032	(991,539)
Cash, beginning of period	49,676	1,665,936
Cash, end of period	\$ 2,240,708	\$ 674,397
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -

Supplemental disclosures of non-cash investing and financing activities:

Transfer of prepaid software development expenditure to intangible assets	\$ 50,000	\$ 850,000
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 1,276,944
Shares issued for accrued bonus to officers	\$ 259,023	\$ -

IMPORTANT NOTICE TO USERS (summary only, please refer to the Form 10-Q for full text of notice); All information is unaudited unless otherwise noted or accompanied by an audit opinion and is subject to the more comprehensive information contained in our SEC reports and filings. We do not endorse third-party information. All information speaks as of the last fiscal quarter or year for which we have filed a Form 10-K or 10-Q, or for historical information the date or period expressly indicated in or with such information. We undertake no duty to update the information. Forward-looking statements are subject to risks and uncertainties described in our Forms 10-Q and 10-K.