

February 18, 2020

DDATASEA INC.

Datasea Announces Second Quarter 2020 Financial Results

New York, Feb. 18, 2020 (GLOBE NEWSWIRE) -- Datasea Inc. (NASDAQ: DTSS) ("Datasea" or the "Company"), a technology company engaged in providing smart security solutions and developing education-related technologies in China, announced its financial results for the three months ended December 31, 2019.

Advances from Customers

On March 5, 2018, the Company entered into separate agreements with two sales agents. Pursuant to the agreements, the Company authorized the agents to market the Company's Safe Campus Management System. The term of the agreements is for five years and will expire on March 6, 2023 and July 1, 2023, respectively. In accordance with ASU 2016-08, Principal versus Agent Considerations (ASC 606), the Company determined that it was the principal in these two contracts and as such, the Company recorded the payments received from the two sales agents as advances. The Company will recognize revenue from these contracts as the sales agents sell the products and services to third parties.

As of December 31 and June 30, 2019, the Company recorded \$1,300,638 and \$1,318,897 of advances from the sales agents, respectively.

Revenue

The Company did not generate any revenue during three and six months ended December 31, 2019 and 2018.

Selling, General and Administrative Expenses

Selling expenses were \$58,146 and \$71,973 for the three months December 31, 2019 and 2018, respectively. Selling expenses were \$109,321 and \$148,852 for the six months December 31, 2019 and 2018, respectively. The decrease in selling expenses was primarily attributed to a decrease in salary expenses.

General and administration expenses increased \$362,575, or 131.6% from \$275,582 during the three months ended December 31, 2018 to \$638,157 during the same period in 2019. The increases were attributed to increases in rent expenses and approximately \$285,000 of capitalized technology was expensed during three months ended December 31, 2019. General and administration expenses increased \$443,263, or 88.2% from \$502,153 during the six months ended December 31, 2018 to \$945,416 during the same period in 2019. The increases were attributed to increases in rent expenses and approximately \$285,000 of capitalized technology was expensed during three months ended December 31, 2019.

The Company incurred research and development expenses of \$69,158 and \$120,365 during the three and six months ended December 31, 2019, respectively, comparing \$41,114 and \$103,885 during the same period in 2018. The increase was attributed to the increase in salary expense since the Company hired more staff in research and development department.

Net Loss

Due to our lack of recurring revenue, the Company generated net losses of \$751,032 and \$1,148,018 for the three and six months ended December 31, 2019, respectively, \$379,712 and \$743,937 for the same period in 2018.

Cash and Financial Position

As of December 31, 2019, the Company had cash and cash equivalents of \$ 2,804,740, compared to \$ 6,072,637 as of June 30, 2019.

The Company had a working capital of \$ 1,105,913 as of December 31, 2019 compared to working capital of \$4,568,461 as of June 30, 2019.

Net cash used in operating activities was \$1,572,243 during the six months ended December 31, 2019, which consisted of the Company's net loss of \$1,148,018, offset by depreciation and amortization of \$13,186, a change of prepaid expenses and other current assets of \$271,654, and a change of accrued expenses and other payables of

\$163,636.

Net cash used in investing activities totaled \$1,608,538 for the six months ended December 31, 2019, which primarily related to cash paid for the acquisition of office furniture and equipment of \$208,538, and for intangible assets of \$1,400,000.

Net cash used in financing activities was \$84,227 during the six months ended December 31, 2019, which primarily consisted of payment of a shareholder loan, net of \$84,227.

About Datasea Inc.

Datasea is a technology company in China engaged in providing smart security solutions and developing education-related technologies. Datasea leverages its proprietary technologies, intellectual property, innovative products and market intelligence to provide comprehensive and optimized security solutions and education-related technologies to its clients. Datasea has been certified as one of the Zhongguancun High Tech Enterprises in recognition of its achievement in high technology products. Datasea's security and technology engineers and experts create, design, build and run various security systems and education technologies tailored to its clients' needs. Through its professional team and strong expertise in the industry, Datasea offers its clients a broad portfolio of security solutions, along with strategic advice and ongoing management of their security infrastructure, and digital education tools or programs. For additional company information, please visit: ir.shuhaixinxi.com.

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" and similar statements. 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 many of which are beyond Datasea's control, which may cause Datasea's actual results, performance or achievements 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 BALANCE SHEETS

	December 31, 2019	June 30, 2019
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
Current Assets		
Cash	\$ 2,804,740	\$ 6,072,637
Inventory	74,432	73,294
Prepaid expenses and other current assets	253,621	105,932
Total Current Assets	<u>3,132,793</u>	<u>6,251,863</u>
Property and equipment, net	242,458	41,116
Intangible assets, net	1,951,504	555,811
Prepaid expense - non current	126,396	-
Escrow	600,000	600,000
Right-of-use assets	1,114,892	-
Total Assets	<u>\$ 7,168,043</u>	<u>\$ 7,448,790</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities			
Accounts payable		\$ 52,771	\$ 13,088
Accrued expenses and other payables		93,996	264,684
Advances from customer		1,300,638	1,318,897
Loan payable-shareholder		-	86,733
Operating lease liabilities		579,475	-
Total Current Liabilities		<u>2,026,880</u>	<u>1,683,402</u>
Other liability			
Operating lease liabilities		535,417	-
Total Other Liability		<u>535,417</u>	<u>-</u>
Total Liabilities		<u>2,562,297</u>	<u>1,683,402.0</u>
Commitments and Contingencies			
Stockholders' Equity			
Common stock, \$0.001 par value, 375,000,000 shares authorized, 20,943,846 shares issued and outstanding at December 31, 2019 and June 30, 2019, respectively		20,944	20,944
Additional paid-in capital		11,104,666	11,104,666
Accumulated comprehensive income		178,281	189,906
Deficit		(6,698,145)	(5,550,128)
Total Stockholders' Equity		<u>4,605,746</u>	<u>5,765,388</u>
Total Liabilities and Stockholders' Equity		<u>\$ 7,168,043</u>	<u>\$ 7,448,790</u>

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

	Three Months Ended		Six Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenues	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	194	-	194	-
Gross deficit	<u>(194)</u>	<u>-</u>	<u>(194)</u>	<u>-</u>
Operating expenses:				
Selling expenses	58,146	71,973	109,321	148,852
General and administrative expenses	638,157	275,582	945,416	502,153
Research and development expenses	69,158	41,114	120,365	103,885
Total operating expenses:	<u>765,460</u>	<u>388,669</u>	<u>1,175,102</u>	<u>754,890</u>
Loss from operations	<u>(765,654)</u>	<u>(388,669)</u>	<u>(1,175,296)</u>	<u>(754,890)</u>
Other income (expense) :				
Other (expense) income, net	3,088	460	(6,416)	(3,465)
Interest income	11,534	8,497	33,694	14,418
Total other income	<u>14,622</u>	<u>8,957</u>	<u>27,278</u>	<u>10,953</u>
Net loss	<u>(751,032)</u>	<u>(379,712)</u>	<u>(1,148,018)</u>	<u>(743,937)</u>
Other comprehensive loss				
Foreign currency translation adjustment	(18,238)	(7,450)	(11,625)	24,123
Total comprehensive loss	<u>\$ (769,270)</u>	<u>\$ (387,162)</u>	<u>\$ (1,159,643)</u>	<u>\$ (719,814)</u>
Net loss per share				
Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>
Weighted average shares outstanding				
Basic and diluted	<u>20,943,846</u>	<u>19,445,150</u>	<u>20,943,846</u>	<u>19,308,455</u>

DATASEA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	December 31, 2019	December 31, 2018
Cash flows from operating activities:		
Net loss	\$ (1,148,018)	\$ (743,937)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,186	19,319
Changes in current assets and current liabilities:		
Inventory	(2,121)	278
Prepaid expenses and other assets	(271,654)	1,409
Right-of-use assets	(1,097,886)	-
Accrued expenses and other payables	(163,636)	(71,915)
Operating lease liabilities	1,097,886	-
Net cash used in operating activities	(1,572,243)	(794,846)
Cash flows from investing activities:		
Acquisition of office equipment	(208,538)	(15,754)
Acquisition of intangible assets	(1,400,000)	(14,583)
Net cash used in investing activities	(1,608,538)	(30,337)
Cash flows from financing activities:		
Payment of loan payable - shareholder, net	(84,227)	(17,508)
Net proceeds from sale of common stock	-	4,748,422
Net proceeds from issuance of common stock	-	307,724
Net cash provided by financing activities	(84,227.00)	5,038,638
Effect of exchange rate changes on cash	(2,890)	28,567
Net (decrease) increase in cash	(3,267,897)	4,242,022
Cash – beginning of period	6,072,637	1,031,486
Cash – end of period	\$ 2,804,740	\$ 5,273,508
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income tax	\$ -	\$ -



Source: Datasea Inc.