



Datasea Reports Third 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 March 31, 2022 and provided an update on its key strategic and operational initiatives.

“Datasea delivered record third quarter results with year-over-year growth, mainly driven by accelerating demand for our 5G messaging solutions. This quarter marked a significant inflection point to scale and transform Datasea, underscoring our continued diversification and competitiveness building across 5G messaging, acoustic intelligence, and smart city businesses,” said Zhixin Liu, CEO of Datasea. “Moving forward, underpinned by momentum from increased customer wins, leadership expansion, great synergy effects among the business lines, and strong business resilience, Datasea is well-positioned for future growth.”

Third Quarter 2022 Financial Highlights

- Revenue was \$6,643,538 for the three months ended March 31, 2022 compared to 17,686 for the quarter ended March 31, 2021 representing an increase of \$6,625,852, or 37463%.
- Gross profit was \$588,404 for the three months ended March 31, 2022 compared to \$7,774 for the three months ended March 31, 2021, representing an increase of \$580,630 or 7469%. The increase in gross profit was mainly due to the delivery of services related to the 5G SMS service platform in 2022.
- R&D expenses were \$248,832 for the three months ended March 31, 2022 compared to \$207,774 for the three months ended March 31, 2021, representing an increase of \$41,058, or 19.76%.

- More than \$17.05 million worth of 5G messaging business contracts have been signed.

Third Quarter 2022 Business Highlights

5G Messaging

- **Client expansion.** The number of enterprises that engaged with Datasea's 5G message authorization development increased from about 100 to nearly 200 which directly resulted in the Company becoming a leading service provider in China.
- **Marketing and sales expansion.** The Company adopted an integrated sales strategy to boost sales to better promote business development and meet with the demand of customers, which includes 1) an expansion of the sales team for direct sales; 2) partner and broker mode; 3) joint marketing mode; 4) the enterprise key customer project cooperation mode.
- **Industry recognition.** Shuhai Zhangxun, a company indirectly contractually controlled by Datasea focusing on the 5G messaging business, was named the "Top 10 Enterprises of 5G Messaging in 2021" by New 5G Messaging (New Media) and 5G New Business Center. In January 2022, Shuhai Zhangxun took the lead in drafting the overall technical requirements for 5G messaging applications in the express delivery industry.

Acoustic Intelligence

In this quarter, the Company demonstrated the commercial potential of acoustic intelligence, through direct sales of acoustic intelligence powered disinfection equipment and agreements with different businesses to apply acoustic intelligence in the areas such as automotive systems and smart home appliances.

- **Client expansion.** The Company entered into a three-year collaboration agreement with Guangdong Canbo Electrical Co., Ltd, to apply Datasea's innovative acoustic intelligence-enabled sterilization technology to the disinfection cabinets. The Company worked with Shanghai Zhuifeng Automotive System Co., Ltd to promote

the acoustic intelligent module products in vehicle application scenarios. Datasea added Jiangsu Xinrong Network Technology Research Institute Co., Ltd. as a new customer of acoustic intelligence powered disinfection equipment and the total value of the engagement would be RMB 20 million (approximately USD 3.14 million) over the course of the two-year agreement.

- **Marketing and sales expansion.** Datasea worked with Unicorner LLC to expand acoustic intelligence products distribution in the US market.
- **Industry recognition.** In January, Datasea released China's inaugural white paper with co-authors, to uncover detailed facts and compelling analyses of the acoustic-intelligence technology, commercial applications, and the industry outlook.

Smart City

- **Client expansion.** The Company was engaged by Jiangsu Xinrong Network Technology Research Institution Co., Ltd to provide 5G messaging smart city solutions, and the value of this engagement would be RMB 500,000 (approximately USD 78,800) per residential community over the course of the two-year agreement.
- **Product update.** The Company recently laid out a series of upgrades, including IoT cloud platform 2.0 and Campus Security Cloud System 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 9 a.m. ET (9 p.m. Beijing and Hong Kong Time) on Monday, May 16, 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=1550068&tp_key=f65ec48b63

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: 13730116

Replay Start: Monday May 16, 2022, 12:00 PM ET

Replay Expiry: Monday May 23, 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)**

	NINE MONTHS ENDED MARCH 31,		THREE MONTHS ENDED MARCH 31,	
	2022	2021	2022	2021
Revenues	\$16,294,147	\$ 152,925	\$ 6,643,538	\$ 17,686
Cost of goods sold	<u>15,395,849</u>	<u>66,925</u>	<u>6,055,134</u>	<u>9,912</u>
Gross profit	<u>898,298</u>	<u>86,000</u>	<u>588,404</u>	<u>7,774</u>
Operating expenses				

Selling	612,253	295,252	225,262	121,216
General and administrative	3,990,789	2,377,257	1,372,509	945,285
Research and development	<u>968,403</u>	<u>537,009</u>	<u>248,832</u>	<u>207,774</u>
Total operating expenses	<u>5,571,445</u>	<u>3,209,518</u>	<u>1,846,603</u>	<u>1,274,275</u>
Loss from operations	(4,673,147)	(3,123,518)	(1,258,199)	(1,266,501)
Non-operating income (expenses)				
Other income (expenses)	12,917	(22,160)	7,670	(9,958)
Interest income	<u>37,730</u>	<u>1,916</u>	<u>4,837</u>	<u>112</u>
Total non-operating income (expenses), net	<u>50,647</u>	<u>(20,244)</u>	<u>12,507</u>	<u>(9,846)</u>
Loss before income tax	(4,622,500)	(3,143,762)	(1,245,692)	(1,276,347)
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss before noncontrolling interest	(4,622,500)	(3,143,762)	(1,245,692)	(1,276,347)
Less: (loss) income attributable to noncontrolling interest	<u>(226,561)</u>	<u>(93,902)</u>	<u>31,720</u>	<u>(57,347)</u>
Net loss to the Company	(4,395,939)	(3,049,860)	(1,277,412)	(1,219,000)
Other comprehensive item				
Foreign currency translation gain (loss) attributable to the Company	89,911	105,471	19,919	(7,072)
Foreign currency translation gain (loss) attributable to noncontrolling interest	<u>2,076</u>	<u>(1,582)</u>	<u>(218)</u>	<u>(192)</u>
Comprehensive loss attributable to the Company	<u>\$ (4,306,028)</u>	<u>\$ (2,944,389)</u>	<u>\$ (1,257,493)</u>	<u>\$ (1,226,072)</u>
Comprehensive loss (income) attributable to noncontrolling interest	<u>\$ (224,485)</u>	<u>\$ (95,484)</u>	<u>\$ 31,502</u>	<u>\$ (57,539)</u>
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.14)</u>	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>
Weighted average shares used for computing basic and diluted loss per share	<u>23,837,047</u>	<u>21,214,197</u>	<u>24,244,130</u>	<u>21,470,487</u>

DATASEA INC.
CONSOLIDATED BALANCE SHEETS

	<u>MARCH 31,</u>	<u>JUNE 30,</u>
	<u>2022</u>	<u>2021</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,628,750	\$ 49,676
Accounts receivable	5,521,461	1,856
Inventory	247,378	194,264
Value-added tax prepayment	66,295	171,574

Prepaid expenses and other current assets	381,658	468,615
Total current assets	<u>7,845,542</u>	<u>885,985</u>
NONCURRENT ASSETS		
Security deposit for rents	281,040	256,987
Long term investment	63,010	-
Property and equipment, net	217,100	309,408
Intangible assets, net	1,263,219	1,092,147
Right-of-use assets, net	760,957	1,350,590
Total noncurrent assets	<u>2,585,326</u>	<u>3,009,132</u>
TOTAL ASSETS	<u>\$ 10,430,868</u>	<u>\$ 3,895,117</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,874,633	\$ 174,718
Unearned revenue	255,280	189,527
Deferred revenue	72,682	46,439
Accrued expenses and other payables	494,185	561,674
Due to related party	29,063	69,305
Loans payable	-	1,486,819
Operating lease liabilities	506,699	730,185
Total current liabilities	<u>6,232,542</u>	<u>3,258,667</u>
NONCURRENT LIABILITIES		
Operating lease liabilities	132,257	558,739
Total noncurrent liabilities	<u>132,257</u>	<u>558,739</u>
TOTAL LIABILITIES	6,364,799	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	20,602,889	12,086,788
Accumulated comprehensive income	363,161	273,250
Accumulated deficit	(16,457,797)	(12,061,858)
TOTAL COMPANY STOCKHOLDERS' EQUITY	<u>4,532,497</u>	<u>319,654</u>
Noncontrolling interest	<u>(466,428)</u>	<u>(241,943)</u>
TOTAL EQUITY	<u>4,066,069</u>	<u>77,711</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 10,430,868</u>	<u>\$ 3,895,117</u>

DATASEA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

NINE MONTHS
ENDED
MARCH 31

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Loss including noncontrolling interest	\$(4,622,500)	\$(3,143,762)
Adjustments to reconcile loss including noncontrolling interest to net cash used in operating activities:		
Loss on disposal on fixed assets	679	9,619
Depreciation and amortization	412,771	112,350
Bad debt expense	287,214	-
Operating lease expense	654,029	588,924
Stock compensation expense	515,250	12,000
Changes in assets and liabilities:		
Accounts receivable	(5,469,460)	(12,380)
Inventory	(49,239)	(19,278)
Value-added tax prepayment	107,320	(75,765)
Prepaid expenses and other current assets	(262,428)	(130,638)
Accounts payable	4,655,575	81,903
Advance from customers	87,041	41,823
Accrued expenses and other payables	179,998	91,615
Payment on operating lease liabilities	(712,738)	(618,366)
Net cash used in operating activities	<u>(4,216,488)</u>	<u>(3,061,955)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(32,188)	(103,054)
Acquisition of intangible assets	(402,118)	(25,934)
Long-term investment	(62,438)	-
Net cash used in investing activities	<u>(496,744)</u>	<u>(128,988)</u>
Cash flows from financing activities:		
Due to related parties	(40,760)	-
Payment of loan payable	(1,499,291)	728,824
Proceeds from capital contribution from a major shareholder	62,438	-
Net proceeds from issuance of common stock	<u>7,681,796</u>	<u>931,000</u>
Net cash provided by financing activities	6,204,183	1,659,824
Effect of exchange rate changes on cash	<u>88,123</u>	<u>36,360</u>
Net increase (decrease) in cash	1,579,074	(1,494,759)
Cash, beginning of period	<u>49,676</u>	<u>1,665,936</u>
Cash, end of period	<u>\$ 1,628,750</u>	<u>\$ 171,177</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosures of non-cash investing and financing activities:		
Transfer of prepaid software development expenditure to intangible assets	<u>\$ 50,000</u>	<u>\$ 1,000,000</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 1,294,315</u>
Shares issued for accrued bonus to officers	<u>\$ 259,023</u>	<u>\$ -</u>

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.