

Datasea Reports Second Quarter Fiscal Year 2024 Financial Results and Operations Update – Second Quarter Revenue is \$11.3 Million Versus \$0.1 Million in the Year-Ago Period

BEIJING, February 14, 2024 /PRNewswire/ -- Datasea Inc. (NASDAQ: DTSS) (“Datasea” or the “Company”), a global technology company that develops and provides products utilizing intelligent acoustics including ultrasound, infrasound and directional sound, and provides 5G multimodal communication, upgraded 5G messaging services, today announced its financial results for the second quarter ended December 31, 2023.

“We delivered strong performance in our second quarter of 2024 with revenue of approximately \$11.3 million which brought our first half revenue of 2024 to \$18.2 million. The increase in revenue during the quarter was mainly due to an increase of our 5G multimodal communication business in China where we signed a number of significant 5G multimodal communication service agreements. Our sales team vigorously and effectively promote our products where we focus on the needs of our customers and constantly optimize and improve our products and services. We believe that our technology has competitive advantages in its accuracy, convenience and technological capabilities,” said Datasea CEO Zhixin Liu.

“We launched our air sterilization products in China in 2023 across a number of distribution channels and we are currently developing our business operations in the US which include our pursuit of intellectual property rights and the establishment of an online platform. In the post-pandemic era, we believe that there is a global demand for effective solutions for healthy living environments in China, the US and globally. We are committed to providing cutting-edge acoustics technology imbedded with artificial intelligence across a wide range of products for both business and consumer applications,” concluded CEO Zhixin Liu of Datasea.

First Half Fiscal Year 2024 Financial Highlights

- For the six months ended December 31, 2023 and 2022, revenues were \$18,229,212 and \$131,459, respectively. Revenues increased by \$18,097,753 over the same period of last year,

an increase of 13,766.8% over the same period of last year, mainly due the Company's is current leadership in the research and development of 5G multimodal communication technology, where it has formed a stable customer base after a sustained expansion of its customer base. In addition to Datasea's technological R&D achievements over the years, our improved market positioning is due to—extensive market promotion and our exceptional customer support. In addition, the structural dynamics in which we operate have improved with the general development of the 5G upstream and downstream chain, which has led to a thriving 5G market and the formation of a very sizeable and loyal customer base.

- For the six months ended December 31, 2023 and 2022, the Company's administrative expenses were \$1,316,516 and \$1,751,359, respectively, a decrease of \$434,843 or 24.8%, compared to the same period last year. The main reason is that the Company continues to rationalize its administrative expenses, improve its operational efficiency, and improve the granularity of its expenses to improve management efficiency and reduce expenses.

- As of December 31, 2023 and June 30, 2023, the Company's accounts receivable balance were \$54,123 and \$255,725, respectively, a decrease of \$201,602 and 78.8% from the prior period. Mainly, the Company reduced the occurrence of bad debts by strengthening the credit evaluation of customers, strengthened its collection processes including collection efficiency and shortened the account period, all of which improved the management efficiency of its accounts receivable.

Operations Update

Acoustic Intelligence

Datasea is a developer and promoter of acoustic intelligence and plans to introduce its cutting-edge technology and its wide range of applications to China, US and globally. The Company's intelligent acoustics products segment is central to its strategic growth plan. Its acoustic effects are derived by reverse engineering sound characteristics and developing processing mechanisms from the perspective of how sound impacts people and objects. This has led the Company to develop acoustic products that address real-world problems across a range of industries. In 2023, Datasea launched air sterilizer products in China and has been promoting its products through direct sales, channel agents and livestreaming. The Company is currently establishing the protocols for the marketing and sales of such products in the US.

International Business Expansion: Datasea established its wholly-owned subsidiary, Datasea Acoustics LLC, in Delaware, USA in July 2023. This was a key element in its strategic plan and underlies Datasea's commitment to intelligent acoustics and its intent to offer leading-edge acoustic solutions to the U.S. market. Datasea has developed high-quality ultrasonic air sterilizers, bathroom and cloakroom sterilizers, and odor removal products. Further, it has engaged in the continuous development of new products including ultrasonic Skin Repair Robots and Schumann frequency sleep monitors for the China, US and global markets. The Company has commenced a collaboration with a globally renowned testing organization, to conduct ETL safety and functional certifications for the air disinfection products intended for sale in the US. Datasea anticipates completing these certifications in the next quarter and commencing the sales of its products in the US market.

Marketing and sales expansion. Datasea plans to actively seek long-term contracts and collaborations with domestic and international customers, partners, and major corporate clients. On October, 2023, its Delaware operating entity, Datasea Acoustics LLC, entered into a marketing promotion and sales cooperation agreement with Meglio Interiors LLC ("Meglio"), based in Chamblee, Georgia to develop, promote and distribute the Company's intelligent acoustics products in the US and internationally. Meglio has sales channels that include Atlanta, Dallas and New Jersey and broad experience in increasing sales for its

clients in the US. The Company believes that Meglio has the know-how in business development, marketing, sales, branding, and channel development in the US furniture market, which the Company believes is an ideal fit for its home health products which include air disinfection machines, bathroom and wardrobe deodorization devices as well as sleep-enhancing products.

Technology Collaborations: Datasea believes that it is at the forefront of delivering cutting-edge intelligent acoustics solutions, especially focusing on ultrasound, infrasound, directional sound and Schumann resonance technology, to meet the evolving needs of our customers worldwide. DTSS has entered into collaborations with renowned research institutions such as the Medical Ultrasound Project with the Chinese Academy of Sciences and the ultrasound-based products for mental alertness and attention enhancement. In addition, Datasea plans to foster collaborations with renowned U.S. universities and research institutions through its US subsidiary. By partnering with these institutions. The Company believes that this collaborative approach will help Datasea to develop and sustain a technological leadership position in the ultrasonic, infrasound and directional sound technology fields.

US Patent Acquisition and Technology Protection: Datasea prioritizes the acquisition of US patents to protect its innovations and intellectual property. Our attainment of US patents for our technologies is essential to maintain our competitive advantage and defend against potential infringement. We believe that our planned patent acquisition will ensure that Datasea's intellectual property remains protected in the US market and provide opportunities for licensing and monetization. Currently, the Company is actively engaged in obtaining U.S. patents through collaboration with a renowned intellectual property firm. We aim to build an intellectual property matrix in the United States and on an international scale.

5G Multimodal Communication

Marketing and sales expansion. Datasea is a first pioneer in the 5G multimodal communication, upgraded 5G messaging services in China, and has built a comprehensive 5G multimodal communication product portfolio with high brand recognition. With the rapid development of 5G multimodal communication in the Chinese market, its application trend

will show the characteristics of intelligence, strong connectivity, immersive experience, enabling thousands of industries, personalized service and border blurring, and promote the digital transformation and intelligent development of all walks of life. The Company's communication suite enables users to enjoy various effective interfaces with integrated messages, including texts, pictures, audio, video and emojis, as well as status, location and other communication functions. It has the characteristics of high contact rate, rich media, strong interactivity, convenient service, and high security. Datasea has adopted an integrated sales strategy to boost sales to better promote business development and meet the demand of its customers.

Key Customers and Agreements. As of December 31, 2023, Datasea's Chinese operating entities have reached agreements with two important new clients, Hainuo Xintong (Qingdao) Network Technology Co., Ltd. ("Hainuo") and Xiamen Duoqiao Mai Network Technology Co., Ltd. ("Xiamen Duoqiao"). These agreements allow Hainuo and Xiamen Duoqiao to purchase various denominations of 5G message top up cards within 12 months of the agreement, ranging from RMB 10 to RMB 500 (\$1.38 to \$69.40). Just a few months after signing agreements with Hainuo and Xiamen Duoqiao, DTSS' subsidiaries recorded a 5G multimodal communication service contract worth approximately \$10.49 million. In addition, as of December 31, 2023, one of Datasea's operating entities, Guozhong Times (Beijing) Technology Co., Ltd. has agreed to terms with several new clients for 5G multimodal communication business that will result in significant revenue.

About Datasea Inc.

Datasea Inc. ("Datasea") is a leading provider of products, services, and solutions for enterprise and retail customers in converging and innovative industries, Intelligent Acoustics and 5G multimodal communication especially focusing on ultrasonic, infrasound and directional sound technology. The Company's advanced R&D technology serves as the core infrastructure and backbone for its products. Its 5G multimodal communication segment operates on a cloud platform based on AI. Datasea leverages cutting-edge technologies in intelligent acoustics, utilizing ultrasonic sterilization to combat viruses and prevent human infections, and is also developing innovations in directional sound and medical ultrasonic cosmetology. In July 2023, Datasea established a wholly-owned subsidiary, Datasea Acoustics LLC, in Delaware, in a strategic move to mark its global presence. This underlies

Datasea's commitment to Intelligent Acoustics and its intent to offer leading-edge acoustic solutions to the US market. For additional information, please visit: www.dataseainc.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," "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)

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2023	2022	2023	2022
Revenues	\$11,348,469	\$ 131,459	\$18,229,212	\$ 131,459
Cost of goods sold	11,246,234	96,030	18,052,242	96,030
Gross profit	102,235	35,429	176,970	35,429
Operating expenses				
Selling	1,149,944	45,588	1,234,391	149,702
General and administrative	623,456	866,399	1,316,516	1,751,359
Research and development	117,371	148,812	272,375	255,440
Total operating expenses	1,890,771	1,060,799	2,823,282	2,156,501
Loss from operations	(1,788,536)	(1,025,370)	(2,646,312)	(2,121,072)
Non-operating income (expenses)				
Other expenses	(46,187)	(34,326)	(54,051)	(35,565)
Interest income	1,623	29	1,729	93
Total non-operating expenses, net	(44,564)	(34,297)	(52,322)	(35,472)
Loss before income tax	(1,833,100)	(1,059,667)	(2,698,634)	(2,156,544)
Income tax	-	-	-	8
Loss before noncontrolling interest from continuing operation	(1,833,100)	(1,059,667)	(2,698,634)	(2,156,552)
Income (loss) before noncontrolling interest from discontinued operation	-	(351,418)	833,546	(688,480)
Less: loss attributable to noncontrolling interest from continuing operation	(61)	(14,002)	(9,993)	(8,867)
Less: loss attributable to noncontrolling interest from discontinued operation	-	(106,093)	-	(207,852)
Net loss attribute to noncontrolling interest	(61)	(120,095)	(9,993)	(216,719)
Net loss to the Company from continuing operation	(1,833,039)	(1,045,665)	(2,688,641)	(2,147,685)
Net income (loss) to the Company from discontinued operation	-	(245,325)	833,546	(480,628)
Net loss to the Company	(1,833,039)	(1,290,990)	(1,855,095)	(2,628,313)
Other comprehensive item				
Foreign currency translation gain (loss) attributable to the Company	34,601	(61,105)	(126,615)	(48,767)
Foreign currency translation gain attributable to	116	32,426	29,850	28,736

noncontrolling interest				
Comprehensive loss attributable to the Company	<u>\$ (1,798,438)</u>	<u>\$ (1,352,095)</u>	<u>\$ (1,981,710)</u>	<u>\$ (2,677,080)</u>
Comprehensive income (loss) attributable to noncontrolling interest	<u>\$ 55</u>	<u>\$ (87,669)</u>	<u>\$ 19,857</u>	<u>\$ (187,983)</u>
Basic and diluted net loss per share	<u>\$ (0.72)</u>	<u>\$ (0.80)</u>	<u>\$ (0.82)</u>	<u>\$ (1.62)</u>
Weighted average shares used for computing basic and diluted loss per share *	<u>2,538,286</u>	<u>1,621,642</u>	<u>2,250,711</u>	<u>1,621,642</u>

* Retroactively reflects a 1-for-15 reverse stock split effective on January 19, 2024

**DATASEA INC.
CONSOLIDATED BALANCE SHEETS**

	DECEMBER 31, 2023 (UNAUDITED)	JUNE 30, 2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 437,716	\$ 19,728
Accounts receivable	54,123	255,725
Inventory, net	185,806	241,380
Value-added tax prepayment	82,987	71,261
Prepaid expenses and other current assets	<u>3,297,619</u>	<u>701,423</u>
Total current assets	4,058,251	1,289,517
NONCURRENT ASSETS		
Long-term investment	56,476	55,358
Property and equipment, net	62,512	85,930
Intangible assets, net	660,080	1,185,787
Right-of-use assets, net	<u>107,329</u>	<u>137,856</u>
Total noncurrent assets	886,397	1,464,931
TOTAL ASSETS	<u>\$ 4,944,648</u>	<u>\$ 2,754,448</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 339,897	\$ 1,005,059
Unearned revenue	58,456	609,175
Accrued expenses and other payables	670,596	1,409,939
Due to related parties	568,492	1,162,856
Operating lease liabilities	116,594	124,640
Bank loan payable	502,836	594,906
Loan payable	<u>155,308</u>	<u>-</u>
Total current liabilities	2,412,179	4,906,575

NONCURRENT LIABILITIES

Operating lease liabilities	-	26,449
Loan payable		1,310,306
Bank loan payable	672	91,215
Total noncurrent liabilities	672	1,427,970

TOTAL LIABILITIES	2,412,851	6,334,545
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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT)

Common stock, \$0.001 par value, 25,000,000 shares authorized, 2,538,286 and 1,852,346 shares issued and outstanding as of December 31, 2023 and June 30, 2023, respectively *	2,538	1,852
Additional paid-in capital	32,251,708	24,148,905
Accumulated comprehensive income	266,637	393,252
Accumulated deficit	(29,918,353)	(28,063,258)
TOTAL COMPANY STOCKHOLDERS' EQUITY (DEFICIT)	2,602,530	(3,519,249)
Noncontrolling interest	(70,733)	(60,848)
TOTAL EQUITY (DEFICIT)	2,531,797	(3,580,097)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	\$ 4,944,648	\$ 2,754,448

* retroactively reflect 1-for-15 reverse stock split effective on January 19, 2024

DATASEA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX AND THREE MONTHS ENDED DECEMBER 31, 2023 AND 2022
(UNAUDITED)

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Accumulated</u>	<u>Total</u>	<u>Noncontrolling</u>
	<u>Shares</u>	<u>Amount</u>	<u>paid-in</u>	<u>deficit</u>	<u>other</u>		<u>interest</u>
			<u>capital</u>		<u>comprehensive</u>		
					<u>income</u>		
Balance at July 1, 2023	1,852,346	\$ 1,852	\$24,148,905	\$ (28,063,258)	\$ 393,252	\$(3,519,249)	\$ (60,848)
Net loss	-	-	-	(22,056)	-	(22,056)	(9,932)
Issuance of common stock for equity financing	685,940	686	8,060,600	-	-	8,061,286	-
Shares issued for stock compensation expense	-	-	20,100	-	-	20,100	-
Foreign currency	-	-	-	-	(161,216)	(161,216)	(8)

translation loss								
Balance at September 30, 2023	2,538,286	2,538	32,229,605	(28,085,314)	232,036	4,378,865	(70,788)	
Net loss	-	-	-	(1,833,039)	-	(1,833,039)	(61)	
Shares issued for stock compensation expense	-	-	22,103	-	-	22,103	-	
Foreign currency translation gain	-	-	-	-	34,601	34,601	116	
Balance at December 31, 2023	2,538,286	\$ 2,538	\$32,251,708	\$ (29,918,353)	\$ 266,637	\$ 2,602,530	\$ (70,733)	
Balance at July 1, 2022	1,621,642	\$ 1,622	\$20,752,262	\$ (18,583,566)	\$ 283,587	\$ 2,453,905	\$ (854,273)	
Net loss	-	-	-	(1,337,323)	-	(1,337,323)	(96,624)	
Shares issued for stock compensation expense	-	-	116,250	-	-	116,250	-	
Foreign currency translation gain (loss)	-	-	-	-	12,338	12,338	(3,690)	
Balance at September 30, 2022	1,621,642	1,622	20,868,512	(19,920,889)	295,925	1,245,170	(954,587)	
Net loss	-	-	-	(1,290,990)	-	(1,290,990)	(120,095)	
Shares issued for stock compensation expense	-	-	117,000	-	-	117,000	-	
Purchase of minority interest ownership	-	-	(982,014)	-	-	(982,014)	982,014	
Foreign currency translation	-	-	-	-	(61,105)	(61,105)	32,426	

gain (loss)							
Balance at December 31, 2022	<u>1,621,642</u>	<u>\$ 1,622</u>	<u>\$20,003,498</u>	<u>\$ (21,211,879)</u>	<u>\$ 234,820</u>	<u>\$ (971,939)</u>	<u>(60,242)</u>

IMPORTANT NOTICE TO USERS

The information provided is a summary only, please refer to the Form 10-Q for the full text of this 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.