



Datasea Reports Second Fiscal Quarter 2025 Revenue of \$20.5 Million, Up 81.4% Year-over-Year

Datasea's Top Line Growth Fueled by the Expansion of its State-of-the-Art 5G+AI Multimodal Digital Segment in China

BEIJING, February 13, 2025 / PR Newswire / Datasea Inc. (NASDAQ: DTSS) ("Datasea", the "Company", "we", "us", or "our"), a Nevada-based technology company specializing in 5G+AI multimodal digital solutions and acoustic high-tech innovations, today announced its financial results for its second fiscal quarter ended December 31, 2024. The Company reported revenue of approximately \$20.5 million, an increase of approximately 81.4% compared to revenue of approximately \$11.3 million for the same period in the prior year. The increase was driven by the accelerated adoption of its 5G+AI multimodal digital business services in China due to the Company's continued commercialization of acoustic high-tech products.

Ms. Zhixin Liu, CEO of Datasea, commented, "Our strong performance in the second fiscal quarter reflects the successful expansion of our 5G+AI multimodal digital business customer base, where we continue to be an industry leader. We believe the expanding footprint of our 5G+AI customer base and the initial market penetration of our high-margin acoustic products underscore our ability to innovate and capture emerging opportunities. We remain committed to advancing our technological innovation while driving sustainable growth."

Financial Highlights

- **Revenue:** Revenue for the Company's second fiscal quarter of 2025 was approximately \$20.5 million, an increase of approximately 81.4% compared to revenue of approximately \$11.3 million for the second fiscal quarter of 2024. This increase was primarily driven by the growth of the Company's 5G+AI multimodal digital business in China, especially the continuous enhancement of the effectiveness and efficiency of 5G multimodal digital products and services through AI technology.
- **Gross Profit:** Gross profit for the Company's second fiscal quarter of 2025 was approximately \$0.4 million, and our gross margin for the second fiscal quarter was approximately 2.0%. This marks an improvement from the same period in the prior year when the Company recorded gross profit of approximately \$0.1 million and a gross margin of approximately 0.9%.
- **Intangible Assets:** As of December 31, 2024, and June 30, 2024, the Company's net value of intangible assets was \$4,081,544 and \$546,001, respectively, reflecting an increase of \$3,535,543, or 647%. The increase in intangible assets is crucial to the Company's growth and success. The

enhancement of intangible assets, including patents, has simultaneously increased the overall value of the business, promoted sustainable development, and contributed to the Company's long-term success.

- **Inventory:** As of December 31, 2024, the Company's inventory was \$319,932, an increase of \$166,349 from \$153,583 on June 30, 2024, marking an increase of 108.31%. The increase in inventory primarily reflects the continued rise in customer orders within the acoustic high-tech business. Maintaining an appropriate inventory level helps the Company address sudden surges in demand or price hikes, secure discounts through bulk purchases, reduce procurement costs, and ensure timely capture of sales opportunities during promotions or peak seasons. The inventory growth reflects the healthy expansion of the Company's business and strategic preparations for future growth.

Business Highlights – 5G+AI Multimodal Digital Business

1. Technological Leadership

- The Company's **AI multimodal models** have made breakthroughs in areas such as sentiment analysis, machine translation, and natural language processing, expanding the boundaries of intelligent system applications. Currently, the Company is integrating **DeepSeek's distributed training methods** and **mixed-precision training techniques**, utilizing half-precision (FP16) and single-precision (FP32) floating-point numbers. After fusing multiple sensory inputs, the models are able to enhance data understanding, analysis accuracy, and decision-making reliability.
- In line with the Company's business needs, a self-designed **Transformer model architecture** has been developed, which is capable of processing inputs from multiple modalities in parallel. Datasea's 5G+AI platform incorporates this architecture, utilizing the self-attention mechanism to deeply learn the complex interactions between modalities. This approach excels in applications such as image-text correlation analysis and audio-video synchronization. After integrating DeepSeek's training methods, the platform will further advance in areas such as natural language generation, multilingual processing, code optimization, and logical reasoning, providing more comprehensive and accurate responses.

2. Key Contracts

- The Company's subsidiaries have signed new contracts worth up to an aggregate of approximately \$30 million with Qingdao Ruizhi Yixing, Wuhan Xiaoming Technology, and other clients since last quarter, further reinforcing market penetration.

3. Strategic Collaboration

- We were selected as a prospective strategic partner by China Mobile Internet (a subsidiary of China Mobile), which has the potential to expand our opportunities for large-scale 5G infrastructure project collaborations.
- Our 5G+AI platform is capable of serving 52 million enterprises and 124 million individual businesses in China, facilitating digital transformation across sectors including finance, logistics, and agriculture.

Business Highlights – Acoustic High-Tech Business

1. Technological Innovation

- We are focused on the research and application of multiple advanced acoustic technologies, including ultrasound, infrasound, and Schumann resonance. By integrating the latest findings in acoustics, mechanical transduction, and vibration dynamics, the Company is developing AI-driven acoustic high-tech products with unique competitive advantages.
- We have developed distinct technical expertise in the study and application of non-audible mechanical wave effects, leveraging the cavitation, thermal, and mechanical effects of ultrasound to support a variety of applications such as environmental disinfection, crop pest control, photosynthetic absorption, seed treatment, water purification, safety monitoring, skincare, and healthcare.

2. Product Development

- Our ultrasonic disinfection machine series and the "Star Dream" non-contact sleep aid device utilize Schumann resonance and AI-powered acoustic algorithms to enhance health living and company's product performance.
- Our planned calendar year 2025 acoustic product releases include applications in environmental acoustic technology and neurological acoustic technology, such as the development of a pet deodorizing purifier and mechanical wave-based brain cortical cortisol regulation device, both of which target growing consumer markets.

3. Product Placement and Expansion Plans

- In January 2025, the Company reported that it has partnered with a significant number of beauty and health management companies in Tianjin and Hubei Provinces, introducing acoustic high-tech products to 463 beauty and personal care stores. By the end of calendar year 2025, the Company expects to sell up

to 260,000 units of acoustic air disinfection devices and sleep products, with total projected revenue of approximately \$19 million (approximately ¥1.33 billion RMB), achieving significant market penetration in Northern China.

- We plan to expand into the U.S. market, including partnerships with U.S. e-commerce platforms and distributors.
- We are strengthening our intellectual property (IP) portfolio, enhancing patents covering ultrasound medical imaging, precision acoustic industrial manufacturing, acoustic applications in agriculture, and acoustic IoT (Internet of Things) technologies.

Operational and Strategic Outlook

- **Margin Improvement:** We intend to drive profitability by scaling high-margin acoustic products (e.g., ultrasonic sterilizers, sleep aids) and offering technical services through the Company's 5G+AI platform, thereby reducing customer acquisition costs for Company's industrial clients.
- **Global Expansion:** We plan to accelerate international market entry into the U.S. and Europe and expand our acoustic high-tech business through strategic partnerships and mergers & acquisitions.
- **Gross Margin Improvement:** We expect to focus on scaling high-margin acoustic products (e.g., ultrasonic sterilizers, sleep aids) and reducing 5G+AI customer acquisition costs.
- **Global Expansion:** We aim to accelerate U.S. and European market entry through partnerships and M&A opportunities in acoustic IoT and precision agriculture.

About Datasea Inc.

Datasea Inc. ("Datasea") is a leading provider of products, services, and solutions for enterprise and retail customers in two innovative industries, acoustic high tech and 5G+AI multimodal digitalization. The Company's advanced R&D technology serves as the core infrastructure and backbone for its products. Its 5G multimodal digital segment operates on a cloud platform based on AI. Datasea leverages cutting-edge technologies, precision manufacturing, and ultrasonic, infrasound and directional sound technology in its acoustics business to combat viruses and prevent human infections, and it is also developing applications in medical ultrasonic cosmetology. In July 2023, Datasea established a wholly-owned subsidiary, Datasea Acoustics LLC, in Delaware, in a strategic move to enter the U.S. markets and to mark its global expansion plan. 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 SEC, 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,	JUNE 30,
	2024	2024
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS		
Cash	\$ 268,101	\$ 181,262
Accounts receivable	210,980	718,546
Inventory, net	319,932	153,583
Value-added tax prepayment	111,300	107,545
Prepaid expenses and other current assets	684,783	1,486,956
Total current assets	1,595,096	2,647,892
NONCURRENT ASSETS		
Property and equipment, net	41,399	48,466
Intangible assets, net	4,081,544	546,001
Right-of-use assets, net	185,494	49,345
Total noncurrent assets	4,308,437	643,812
TOTAL ASSETS	\$ 5,903,533	\$ 3,291,704
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 314,367	\$ 1,075,641
Unearned revenue	135,514	49,239
Accrued expenses and other payables	499,637	596,714
Due to related parties	411,619	654,560
Operating lease liabilities	79,308	53,530
Bank loan payable	1,119,860	1,170,298
Total current liabilities	2,560,305	3,599,982
NONCURRENT LIABILITIES		
Operating lease liabilities	116,820	-
Total noncurrent liabilities	116,820	-
TOTAL LIABILITIES	2,677,125	3,599,982

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT)

Common stock, \$0.001 par value, 25,000,000 shares authorized, 7,164,402 and 3,589,620 shares issued and outstanding as of December 31, 2024 and June 30, 2024 , respectively	7,164	3,589
Additional paid-in capital	45,633,189	38,957,780
Accumulated comprehensive income	134,302	242,208
Accumulated deficit	(42,538,589)	(39,440,322)
TOTAL COMPANY STOCKHOLDERS' EQUITY (DEFICIT)	3,236,066	(236,745)
Noncontrolling interest	(9,658)	(71,533)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	3,226,408	(308,278)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 5,903,533	\$ 3,291,704

The accompanying notes are an integral part of these consolidated financial statements.

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

	THREE MONTHS			
	ENDED DECEMBER		SIX MONTHS ENDED	
	31,		DECEMBER 31,	
	2024	2023	2024	2023
Revenues	\$20,456,404	\$11,348,469	\$41,537,498	\$18,229,212
Cost of revenues	20,038,952	11,246,234	40,923,065	18,052,242
Gross profit	417,452	102,235	614,433	176,970
Operating expenses				
Selling	407,669	1,149,944	1,403,718	1,234,391
General and administrative	1,173,733	623,456	2,302,136	1,316,516
Research and development	74,402	117,371	177,481	272,375

Total operating expenses	1,655,804	1,890,771	3,883,335	2,823,282
Loss from operations	(1,238,352)	(1,788,536)	(3,268,902)	(2,646,312)
Non-operating income (expenses)				
Other income (expenses), net	109,761	(46,187)	165,587	(54,051)
Interest income	875	1,623	4,930	1,729
Total non-operating income (expenses), net	110,636	(44,564)	170,517	(52,322)
Loss before income tax	(1,127,716)	(1,833,100)	(3,098,385)	(2,698,634)
Income tax	-	-	-	-
Loss before noncontrolling interest from continuing operations	(1,127,716)	(1,833,100)	(3,098,385)	(2,698,634)
Income before noncontrolling interest from discontinued operations	-	-	-	833,546
Less: loss attributable to noncontrolling interest from continuing operations	8,562	(61)	(118)	(9,993)
Less: loss attributable to noncontrolling interest from discontinued operations	-	-	-	-
Net loss attribute to noncontrolling interest	8,562	(61)	(118)	(9,993)
Net loss to the Company from continuing operations	(1,136,278)	(1,833,039)	(3,098,267)	(2,688,641)
Net income to the Company from discontinued operations	-	-	-	833,546
Net loss to the Company	(1,136,278)	(1,833,039)	(3,098,267)	(1,855,095)
Other comprehensive item				
Foreign currency translation gain (loss) attributable to the Company	(94,752)	34,601	(107,906)	(126,615)
Foreign currency translation gain attributable to noncontrolling interest	19,296	116	60,602	29,850
Comprehensive loss attributable to the Company	<u><u>\$ (1,231,030)</u></u>	<u><u>\$ (1,798,438)</u></u>	<u><u>\$ (3,206,173)</u></u>	<u><u>\$ (1,981,710)</u></u>

Comprehensive income attributable to noncontrolling interest	\$ 27,858	\$ 55	\$ 60,484	\$ 19,857
Basic and diluted net loss per share	\$ (0.16)	\$ (0.72)	\$ (0.56)	\$ (0.82)
Weighted average shares used for computing basic and diluted loss per share *	7,170,852	2,538,286	5,582,115	2,250,711

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

The accompanying notes are an integral part of these consolidated financial statements.

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DATASEA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX AND THREE MONTHS ENDED DECEMBER 31, 2024 AND 2023
(UNAUDITED)

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Accumulated other comprehensive income</u>	<u>Total</u>	<u>Noncontrolling interest</u>
	<u>Shares</u>	<u>Amount</u>					
Balance at July 1, 2024	3,589,620	\$ 3,590	\$ 38,957,780	\$ (39,440,322)	\$ 242,208	\$ (236,745)	\$ (71,533)
Net loss	-	-	-	(1,961,989)	-	(1,961,989)	(8,680)
Noncontrolling interest disposal at closure of the entity	-	-	-	-	-	-	1,391
Issuance of common stock for	692,308	692	1,958,059	-	-	1,958,751	-

equity financing								
Issuance of common stock for equity financing - related parties	1,932,224	1,932	3,978,449	-	-	3,980,381	-	
Shares issued for stock compensation expense	75,000	75	374,925	-	-	375,000	-	
Shares issued for purchase of intangible assets from the Company's major shareholders	797,850	798	(798)	-	-	-	-	
Foreign currency translation gain (loss)	-	-	-	-	(13,154)	(13,154)	41,306	
Balance at September 30, 2024	7,087,002	7,087	45,268,415	(41,402,311)	229,054	4,102,245	(37,516)	
Net loss	-	-	-	(1,136,278)	-	(1,136,278)	8,562	
Forgiveness of debt by shareholder	-	-	183,351	-	-	183,351	-	
Shares issued	77,400	77	181,423	-	-	181,500	-	

for stock compensati on expense								
Foreign currency translation gain (loss)	-	-	-	-	(94,752)	(94,752)	19,296	
Balance at December 31, 2024	7,164,402	\$ 7,164	45,633,189	\$ 9	(42,538,589)	\$ 134,302	3,236,066	\$ (9,658)
Balance at July 1, 2023	1,889,315	\$ 1,889	24,148,868	\$ 8	(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 compensati on expense	-	-	20,100	-	-	-	20,100	-
Foreign currency translation loss	-	-	-	-	(161,216)	(161,216)	(8)	
Balance at September 30, 2023	2,575,255	2,575	32,229,568	4	(28,085,314)	232,036	4,378,865	(70,788)
Net loss	-	-	-	-	(1,833,039)	-	(1,833,039)	(61)
Shares issued for stock	-	-	22,103	-	-	-	22,103	-

compensati on expense								
Foreign currency translation gain	-	-	-	-	34,601	34,601		116
Balance at December 31, 2023	2,575,255	32,251,671	(29,918,353)		2,602,530			(70,733)

The accompanying notes are an integral part of these consolidated financial statements.

DATASEA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

SIX MONTHS ENDED
DECEMBER 31,
2024 2023

Cash flows from operating activities:

Loss including noncontrolling interest		\$(3,098,385)	\$(1,865,088)
Adjustments to reconcile loss including noncontrolling interest to net cash used in operating activities:			
Gain on disposal of subsidiary		-	(833,546)
Bad debt reversal		(7,005)	-
Depreciation and amortization		395,741	276,116
Loss on disposal of fixed assets		3,155	-
Operating lease expense		77,320	107,355
Forgiveness of debt by shareholder		184,663	-
Stock compensation expense		556,500	42,203
Changes in assets and liabilities:			
Accounts receivable		504,995	(52,805)
Inventory		(168,864)	59,809
Value-added tax prepayment		(4,710)	(25,932)
Prepaid expenses and other current assets		802,142	(2,589,743)
Accounts payable		(759,065)	(138,820)
Unearned revenue		87,317	(462,043)

Accrued expenses and other payables	(90,587)	(39,242)
Payment on operating lease liabilities	(70,789)	(111,547)
Net cash used in operating activities	(1,587,572)	(5,633,283)
Cash flows from investing activities:		
Acquisition of property and equipment	(7,255)	(3,683)
Acquisition of intangible assets	(3,950,272)	(68,098)
Cash disposed due to disposal of subsidiary	-	(35)
Net cash used in investing activities	(3,957,527)	(71,816)
Cash flows from financing activities:		
Proceeds from (repayment to) related parties	(239,307)	116,841
Proceeds from loan payables	-	153,659
Repayment of loan payables	(40,698)	(2,090,005)
Net proceeds from issuance of common stock	5,939,133	8,061,286
Net cash provided by financing activities	5,659,128	6,241,781
Effect of exchange rate changes on cash	(27,190)	(118,694)
Net increase in cash	86,839	417,988
Cash, beginning of period	181,262	19,728
Cash, end of period	\$ 268,101	\$ 437,716
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 17,973	\$ 10,535
Cash paid for income tax	\$ -	\$ -
Supplemental disclosures of non-cash financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 196,783	\$ 124,824
Transfer of debt owing to the Company's CEO to Mr. Wanli Kuai	\$ -	\$ 727,503

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.