



Datasea Reports Fiscal Third Quarter 2020 Results

New York — May 14, 2020 — [Datasea Inc. \(NASDAQ: DTSS\)](#) (“Datasea” or the “Company”), a technology company engaged in providing smart security solutions and developing education-related technologies in China, reported results for the fiscal third quarter and nine months ended March 31, 2020.

Third Quarter 2020 Financial and Recent Highlights:

- Secured 33 purchase orders for Datasea’s customized hardware and proprietary software solutions that are being utilized in public spaces on campuses, shopping malls, scenic areas, residential areas, and factories, with cash inflow from customers in full amount.
- Commenced a six-location pilot program with K-12 schools and public communities in Nanjing and Taiyuan, to provide infrared thermometers and related hardware & software solutions aimed at detecting outbreaks, and completed the installation of the Epidemic Prevention and Control Systems in two K-12 schools, as the first part of the Company’s six-location pilot program.
- Signed 17 new agreements since April 1, 2020 with various K-12 schools to deploy intelligent campus security systems.
- Signed 12 new agreements since April 1, 2020 to deploy intelligent public community security systems.

Management Commentary

“In the fiscal third quarter 2020 we continued to make significant progress on our mission of enhancing the safety of the communities where we inhabit and work,” said Ms. Zhixin Liu, Chairwoman and CEO of Datasea. “Our organization’s unwavering commitment to our mission was evidenced in the third quarter of 2020 in our ability to focus our efforts on development and launch our Epidemic Prevention and Control System (the “System”). This System enhances the efficiency of community managers and provides a safer and more transparent work environment. The 45 purchase orders for this System that we have received to date represent a solid effort in our commercialization efforts for this product, giving us confidence going forward. In the educational market, we managed to secure 17 new agreements with K-12 schools since April, which we believe reflects the growing need for our solutions. We intend to direct our proprietary technology, sales channels, and operational momentum to help us to capitalize on future opportunities.”

Fiscal Third Quarter 2020 Financial Results

The Company did not generate any revenue in the fiscal third quarter of 2020 or during the same period one year ago.

Selling expense was \$33,000 as compared to \$34,000 in the same period one year ago. The decrease was primarily driven by lower salary expenses, and partly offset by higher travel expenses in the period.

General and administrative expenses decreased to \$428,000 from \$511,000 in the same year-ago period. The decrease was primarily due to the Company’s ongoing cost and expense management initiatives.

Research and development expenses increased to \$109,000 from \$29,000 in the same period one year ago. The increase was primarily due to investment in additional research and development personnel in the period.

Net loss totaled \$(557,000), or \$(0.03) per diluted share, as compared to net loss of \$(343,000), or \$(0.03) per diluted share, in the same period one year ago.

Fiscal Nine Months 2020 Financial Results

The Company did not generate any revenue in the first nine months of 2020 or the comparable period last year.

Selling expense decreased to \$143,000 from \$183,000 in the same year-ago period. The decrease was primarily driven by lower salary expenses, and partly offset by higher travel expenses in the period.

General and administrative expense increased to \$1.4 million from \$1.0 million in the same year-ago period. The increase was primarily due to higher rent expenses and professional fees.

Research and development expenses increased to \$230,000 from \$133,000 in the same year-ago period. The increase was primarily due to investment in additional research and development personnel in the period.

Net loss totaled \$(1.7) million, or \$(0.08) per diluted share, compared to net loss of \$(1.3) million or \$(0.06) per diluted share, in the same year-ago period.

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: www.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 (including, without limitation, the performance and related results of operations arising from Datasea's contracts and products addressed in this press release) 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 the law.

Investor Relations Contact:

Gateway Investor Relations

Matt Glover

DTSS@gatewayir.com

949-574-3860

DATASEA INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2020	June 30, 2019
	(Unaudited)	(Audited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,010,811	\$ 6,072,637
Restricted cash	600,000	600,000
Inventory	272,749	73,294
Value-added tax prepayment	70,534	-
Prepaid expenses and other current assets	491,913	105,932
Total current assets	3,446,007	6,851,863
NONCURRENT ASSETS		
Fixed assets, net	252,315	41,116
Intangible assets, net	1,948,882	555,811
Right-of-use assets, net	758,162	-
Total noncurrent assets	2,959,359	596,927
TOTAL ASSETS	\$ 6,405,366	\$ 7,448,790
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 46,768	\$ 13,088
Advances from customers	1,361,134	1,318,897
Accrued expenses and other payables	178,779	264,684
Loan payable to shareholder	-	86,733
Operating lease liabilities	348,401	-
Total current liabilities	1,935,082	1,683,402
NONCURRENT LIABILITIES		
Operating lease liabilities	421,558	-
Total noncurrent assets	421,558	-
TOTAL LIABILITIES	2,356,640	1,683,402
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 375,000,000 shares authorized, 20,943,846 shares issued and outstanding at March 31, 2020 and June 30, 2019	20,944	20,944
Additional paid-in capital	11,104,666	11,104,666
Accumulated comprehensive income	179,000	189,906
Accumulated deficit	(7,255,884)	(5,550,128)
TOTAL STOCKHOLDERS' EQUITY	4,048,726	5,765,388
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,405,366	\$ 7,448,790

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

	NINE MONTHS ENDED		THREE MONTHS ENDED	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenues	\$ -	\$ -	\$ -	\$ -
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
Selling	142,605	183,240	33,284	34,388
General and administrative	1,373,837	1,013,136	428,227	510,983
Research and development	229,511	133,103	109,146	29,218
Total operating expenses	1,745,953	1,329,479	570,657	574,589
Loss from operations	(1,745,953)	(1,329,479)	(570,657)	(574,589)
Non-operating income				
Other (expense) income, net	(3,632)	(2,571)	2,784	894
Interest income	43,828	47,114	10,134	32,696
Total non-operating income, net	40,196	44,543	12,918	33,590
Loss before income tax	(1,705,757)	(1,284,936)	(557,739)	(540,999)
Income tax	-	-	-	-
Net loss	(1,705,757)	(1,284,936)	(557,739)	(540,999)
Other comprehensive item				
Foreign currency translation gain (loss)	(10,906)	222,332	719	198,209
Total comprehensive loss	<u>\$ (1,716,663)</u>	<u>\$ (1,062,604)</u>	<u>\$ (557,020)</u>	<u>\$ (342,790)</u>
Net loss per share				
Basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding				
Basic and diluted	<u>20,943,846</u>	<u>19,845,627</u>	<u>20,943,846</u>	<u>20,943,846</u>

DATASEA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Nine Months Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net loss	\$(1,705,757)	\$(1,284,936)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	38,536	28,285
Operating lease expense	113,211	-
Changes in assets and liabilities:		
Inventory	(204,186)	279
Prepaid expenses and other current assets	(394,017)	12,099
Accounts payable	34,500	-
Advance from customers	83,889	-
Accrued expenses and other payables	(13,338)	(44,790)
Taxes payable	(105,098)	-
Payment on operating lease liabilities	<u>(132,953)</u>	<u>-</u>
Net cash used in operating activities	(2,285,214)	(1,289,063)
Cash flows from investing activities:		
Acquisition of fixed assets	(248,333)	(64,531)
Acquisition of intangible assets	<u>(1,400,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,648,333)</u>	<u>(64,531)</u>
Cash flows from financing activities:		
Payment of loan payable - shareholder, net	(85,091)	(15,392)
Net proceeds from sale of common stock - offering	-	5,240,889
Net proceeds from issuance of common stock	<u>-</u>	<u>308,858</u>
Net cash provided by (used in) financing activities	(85,091)	5,534,355
Effect of exchange rate changes on cash	<u>(43,189)</u>	<u>129,722</u>
Net (decrease) increase in cash and restricted cash	(4,061,826)	4,310,483
Cash and restricted cash, beginning of period	<u>6,672,637</u>	<u>1,031,486</u>
Cash and restricted cash, end of period	<u>\$ 2,610,811</u>	<u>\$ 5,341,969</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:		
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 875,366</u>	<u>\$ -</u>