UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2023

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-38767

DATASEA INC.
(Exact name of registrant as specified in its charter)

Nevada	**45-2019013**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20th Floor, Tower B, Guorui Plaza 1 Ronghua South Road, Technological Development Zone Beijing, People's Republic of China	**100176**
(Address of principal executive offices)	(Zip Code)

+86 10-56145240
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value	**DTSS**	**NASDAQ Capital Market**

Securities registered pursuant to Section 12(g) of the Act: **None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the shares of common stock outstanding, other than shares held by persons who may be deemed affiliates of the Registrant as at December 30, 2022, computed by reference to the closing price of $1.50 for the Registrant's common stock on December 30, 2022, as reported on Nasdaq Capital Market, was approximately $13,358,252.

As of September 20, 2023, 32,784,133 shares of common stock, $0.001 par value per share, were issued and outstanding.

DATASEA INC.

Annual Report on Form 10-K

For the Fiscal Year Ended June 30, 2023

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All references to "Company," "we," or "us" in this report refer to Datasea Inc., a Nevada corporation, its consolidated subsidiaries, and the variable interest entity ("VIE"), unless the context otherwise indicates.

All references to "Datasea" in this report refer to Datasea Inc., a Nevada corporation, not including its consolidated subsidiaries and VIE, unless the context otherwise indicates.

"VIE" or "consolidated VIE" refers to Shuhai Information Technology Co., Ltd. ("Shuhai Beijing"), a variable interest entity.

"WFOE" or "PRC Subsidiary," which is a wholly foreign owned entity and is a corporation organized under the laws of the PRC and wholly owned by us, through our subsidiary. The WFOE is Tianjin Information Sea Information Technology Co., Ltd. ("Tianjin Information" or "WFOE").

"PRC" or "China" refers to the People's Republic of China, excluding, for the purpose of this report only, Taiwan. "RMB" or "Renminbi" refers to the legal currency of China and "$", "US$", "USD" or "U.S. Dollars" refers to the legal currency of the United States.

Our reporting currency is the US$. The functional currency of the entities located in China is the RMB. For the entities whose functional currency is the RMB, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the exchange rate at the end of the period, and equity is translated at historical exchange rates. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balances on the balance sheets. Translation adjustments resulting from the process of translating the local currency financial statements into US$ are included in determining comprehensive income/loss. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currencies at the exchange rates prevailing at the balance sheet date with any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions of performance; and statements of belief; and any statements of assumptions underlying any of the foregoing. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

In some cases, you can identify forward looking statements by terms such as "may," "intend," "might," "will," "should," "could," "would," "expect," "believe," "anticipate," "estimate," "predict," "potential," or the negative of these terms. These terms and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this report are based upon management's current expectations and belief, which management believes are reasonable. However, we cannot assess the impact of each factor on our business or the extent to which any factor or combination of factors, or factors we are aware of, may cause actual results to differ materially from those contained in any forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements. These statements represent our estimates and assumptions only as of the date of this report. Except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Our business operations are primarily based in China, and the VIE and its subsidiaries are subject to certain legal and operational risks associated with being based in China. On December 28, 2021, the Cyberspace Administration of China ("CAC"), and 12 other relevant PRC government authorities published the amended Cybersecurity Review Measures, which came into effect on February 15, 2022. The final Cybersecurity Review Measures provide that a "network platform operator" that possesses personal information of more than one million users and seeks a listing in a foreign country must apply for a cybersecurity review. Further, the relevant PRC governmental authorities may initiate a cybersecurity review against any company if they determine certain network products, services, or data processing activities of such company affect or may affect national security. As of the latest practicable date, our Company, the VIE and its subsidiaries have not been involved in any investigations on cybersecurity review initiated by any PRC regulatory authority, nor has any of them received any inquiry, notice or sanction. We do not believe that we are subject to: (a) the cybersecurity review with the CAC, as we do not possess a large amount of personal information in our business operations, and our business does not involve the collection of data that affects or may affect national security, implicates cybersecurity, or involves any type of restricted industry; or (b) merger control review by China's anti-monopoly enforcement agency due to the fact that we do not engage in monopolistic behaviors that are subject to these statements or regulatory actions. On February 17, 2023, the China Securities Regulatory Commission ("CSRC"), issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, which became effective on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. We are required by the Trial Measures to submit a filing to the CSRC and complete the filing procedures of any overseas public offering, but there is no certainty that we will be able to complete such filings in a timely manner. Any failure or perceived failure by us to comply with such filing requirements under the Trial Measures may result in forced corrections, warnings and fines against us and could materially hinder our ability to offer or continue to offer our securities. It remains highly uncertain the impact of such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and list on an U.S. or other foreign exchange. As a result of the legal and operational risks associated with us being based in and having the majority of our operations in China, such risks could result in a material change in our operations and/or the value of our securities and could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. Please see "Risks Associated With Doing Business in China" and the associated risk factor on page 44.

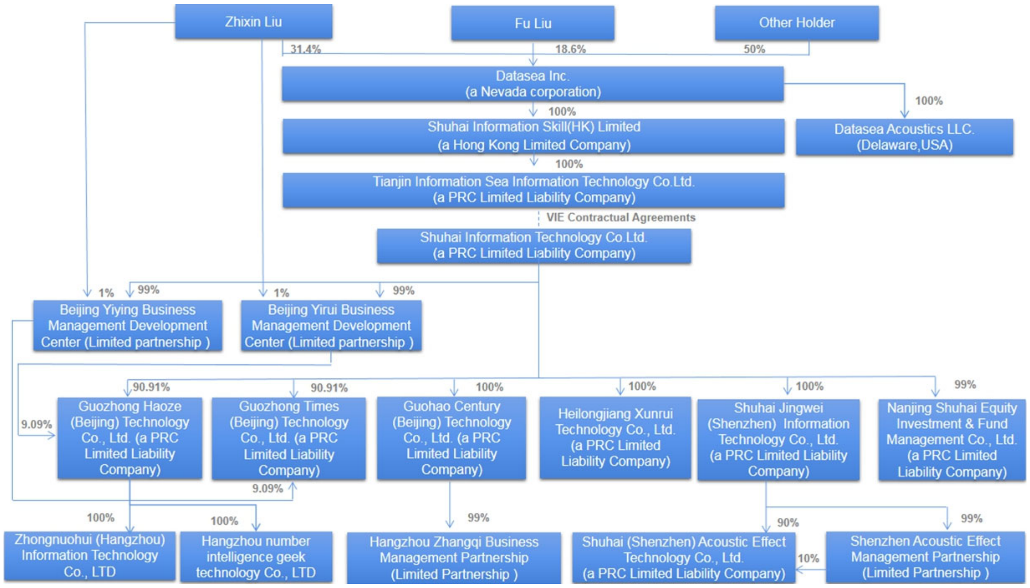
Since 2021, the Chinese government has strengthened its anti-monopoly supervision, mainly in three aspects: (1) establishing the National Anti-Monopoly Bureau; (2) revising and promulgating anti-monopoly laws and regulations, including: the Anti-Monopoly Law (draft Amendment published on October 23, 2021 for public opinions), the anti-monopoly guidelines for various industries, and the detailed Rules for the Implementation of the Fair Competition Review System; and (3) expanding the anti-monopoly law enforcement targeting Internet companies and large enterprises. As of the date of this report, the Chinese government's recent statements and regulatory actions related to anti-monopoly concerns have not impacted our ability to conduct business, accept foreign investments, or list on a U.S. or other foreign exchange because neither the Company nor its PRC operating entities engage in monopolistic behaviors that are subject to these statements or regulatory actions. Please see "Risks Associated With Doing Business in China" and the associated risk factor on page 44.

As a holding company with no material operations of our own, we conduct a substantial majority of our operations through our operating entities established in the People's Republic of China, or the PRC, primarily our variable interest entity and its subsidiaries, collectively, the VIE. Due to PRC legal restrictions on foreign ownership in certain internet-related businesses we may explore and operate in the future, we do not have any equity ownership of the VIE, but instead we control and receive the economic benefits of the VIE's business operations through certain contractual arrangements. We believe such VIE contractual arrangements have not been tested in a court of law in the PRC. Our shares of common stock listed on the Nasdaq Capital Market are shares of our Nevada holding company that maintains service agreements with the associated operating companies. As an investor of our common stock, you may never directly hold equity interests in the Chinese operating companies. There is a risk that the Chinese government may in the future seek to affect operations of any company with any level of operations in PRC, including its ability to offer securities to investors, list its securities on a U.S. or other foreign exchange, conduct its business or accept foreign investment. Substantial uncertainties and restrictions with respect to the political and economic policies of the PRC government and PRC laws and regulations could have a significant impact upon the business that we may be able to conduct in the PRC and accordingly on the results of our operations and financial condition. If the Chinese regulatory authorities disallow our structure or any or all of the foregoing were to occur, it could, in turn, result in a material change in the Company's operations and/or the value of its common stock and/or significantly limit or completely hinder its ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act ("HFCAA") requiring a foreign company to certify it is not owned or controlled by a foreign government if the Public Company Accounting Oversight Board ("PCAOB") is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company's auditors for three consecutive years, the issuer's securities are prohibited to trade on a national exchange. On December 18, 2020, the HFCAA was signed into law. On September 22, 2021, the PCAOB adopted a final rule implementing the Holding Foreign Companies Accountable Act ("HFCAA"), which became law in December 2020 and prohibits foreign companies from listing their securities on U.S. exchanges if the company has been unavailable for PCAOB inspection or investigation for three consecutive years. In addition, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (the "AHFCAA"), and on December 29, 2022, a legislation entitled "Consolidated Appropriations Act, 2023" (the "Consolidated Appropriations Act") was signed into law by President Biden, which contained, among other things, an identical provision to the AHFCAA and amended the HFCAA by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading. Our auditor, an independent registered public accounting firm that issued the audit report with this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Our auditor is headquartered in New York and has been inspected by the PCAOB on a regular basis. Notwithstanding the foregoing, in the future, if there is any regulatory change or step taken by PRC regulators that does not permit our auditor to provide audit documentations located in China or Hong Kong to the PCAOB for inspection or investigation, you may be deprived of the benefits of such inspection which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities, including trading on the national exchange and trading on "over-the-counter" markets. Please see "Risks Associated With Doing Business in China" and the associated risk factor on page 44 for more information.

Our contractual agreements with the VIE have not been tested in court in China and this structure involves unique risks to investors. For example, the PRC government could disallow the VIE arrangements, which would likely result in a material change in our operations and structure and significant change in the value of our securities. Such could cause the value of such securities to significantly decline or become worthless. See “Risk Factors—Risks Relating to our Corporate Structure” and the associated risk factor on page 42 for more information.

Below is our organizational chart as of September 20, 2023.



You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to a number of factors (some of which may be beyond our control), including:

- uncertainties relating to our ability to establish and operate our business in China; uncertainties regarding the enforcement of laws and the fact that rules and regulations in China can change quickly with little advance notice, along with the risk that the Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers could result in a material change in our operations, financial performance and/or the value of our common stock or impair our ability to raise money.

- We depend upon the VIE Agreements in conducting our business in the PRC, which may not be as effective as a direct ownership structure.

- We may not be able to consolidate the financial results of some of our affiliated companies through the VIE Agreements or such consolidation could materially adversely affect our operating results and financial condition.

- our ability to operate our company as a U.S. publicly-reporting and listed enterprise;

- uncertainties relating to general economic and business conditions in China and worldwide;

- industry trends and changes in demand for our products and services;

- uncertainties relating to customer plans and commitments and the timing of orders received from customers;

- announcements or changes in our pricing policies or that of our competitors;

- unanticipated delays in the development, commercialization or market acceptance of our products and services;

- changes in Chinese government regulations;

- availability, terms and deployment of capital; relationships with third-party equipment suppliers; and

- political stability and economic growth in China.

PART I

Item 1. Description of Business

OVERVIEW

Company Structure

Datasea Inc. is a technology company incorporated in Nevada, USA on September 26, 2014, with subsidiaries and operating entities located in Delaware, US and China, that provides intelligent acoustics (including ultrasound, infrasound, directional sound, and Schumann resonance), 5G messaging and other products and services to various corporate and individual customers. The acoustic business offers a wide range of cutting-edge products including high-quality sonic air disinfection solutions, skin repair and beauty solutions, as well as sleep-aid devices. Our products find extensive applications across various industries and sectors, including sonic antivirus, sonic beauty, sonic medical treatments, and sonic agriculture. Datasea's common stock currently listed on the Nasdaq Capital Market are shares of our Nevada holding company that maintains service agreements with the associated operating companies which enable us to consolidate the financial results of the VIE and its subsidiaries with Datasea's corporate group under U.S. GAAP, making Datasea the primary beneficiary of the VIE for accounting purposes. For a description of our corporate structure and contractual arrangements, see "Our Organizational Structure" on page 22 and "VIE Agreements" on page 4.

Datasea is not a Chinese operating company but a Nevada-based holding company with its Delaware subsidiary, Datasea Acoustics LLC, serving as our U.S.-based international business platform. Additionally, through the Company's subsidiary in China – Tianjin Information Sea Information Technology Co., Ltd ("Shuhai Tianjin") and the VIE, Shuhai Information Technology Co., Ltd. ("Shuhai Beijing"), we carry out business activities in China, along with their subsidiary entities. Shuhai Beijing possesses cutting-edge products and solutions in intelligent acoustics and 5G messaging applications to support commercial enterprises, households and individuals in China.

Internationalization has always been a crucial strategy for the Company. Datasea incorporated a wholly-owned subsidiary, Datasea Acoustics LLC, based in the State of Delaware, USA. Datasea Acoustics LLC, established on July 31, 2023, exemplifies our strategy aimed at the global market, driven by the U.S. market, and provides "intelligent acoustics" technology and products, which is a transformative blend of acoustics and artificial intelligence. The launch of Datasea Acoustics LLC in the U.S. serves a dual purpose: it solidifies Datasea's commitment to the field of Intelligent Acoustics and emphasizes the Company's plan to introduce cutting-edge antivirus acoustic solutions to the U.S. market. Datasea Acoustics LLC will begin to provide leading and high-quality ultrasonic air sterilizers, bathroom and cloakroom sterilizers and odor removal products, as well as continuous new products including ultrasonic Skin Repair Robots and Schumann frequency sleep monitors to the global market, mainly the U.S. market, catering to a broad and growing global consumer base.

Technology and Innovation

Datasea is the global initiator, promoter and practitioner of the concept of intelligent acoustics. Our commitment to technological advancement and global reach positions us 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 and communities worldwide. The research and development of intelligent acoustics technology plays a vital role for the Company and is what makes us different. The Company has non-visual intelligent algorithms and techniques, intelligent acoustics technologies such as ultrasound and directional sound, and 5G messaging related technology. Combined with artificial intelligence (AI), machine learning and data analytics, our Acoustics and 5G intelligent products and solutions are able to serve more than 48.42 million enterprises of all types (over 99% are SMEs) and households in China.

As of the date of this report, Shuhai Beijing and its subsidiaries own 27 Patents and 106 Software Copyrights in the PRC, which include 10 pending patent applications in core technologies, to empower and grow the business. In addition, the U.S. subsidiary, Datasea Acoustics, is actively acquiring U.S. patents, as well as international patents, and collaborating with U.S. universities and world-renowned research institutions.

The Company holds an outstanding position in the field of acoustics, particularly in areas such as ultrasound, infrasound, and directional sound. To promote research and innovation in these areas, the Company actively collaborates with several prominent research institutions and universities, including Chinese Academy of Sciences Institute of Acoustics, China Academy of Information and Communications Technology Cloud Computing and Big Data Research Institute, Tsinghua University Internet Industry Research Institute, Harbin Institute of Technology Artificial Intelligence Research Institute, Beijing Union University, and Jilin University Remote Sensing Research Institute. The Company, together with these partners, is dedicated to conducting research on new topics and developing novel technology applications to drive advancements in the field of acoustics. To better achieve this goal, the Company collaborated for seven joint laboratories to enhance the integration and collaboration of research resources. These collaborations and the establishment of these laboratories further solidify the Company's leading position in the field of acoustics, providing a strong foundation for future innovations and development.

Additionally, the Company, together with MIIT, Key Laboratory of Artificial Intelligence Key Technology and Application Evaluation and Informatization, CAICT Cloud Computing & Big Data Research Institute, released China's inaugural white paper on the acoustic intelligence industry. The paper shares compelling analysis and fact findings on intelligent acoustics technology, the commercialization of the technology, and the industry outlook. The white paper discussed the applications of acoustic intelligence on an industry level, demonstrating the expectation for Datasea to lead the initiatives and highlighted the Company's industry position in the field of acoustics.

Operational goals

Our primary operational goals are: (i) Revenue Growth: drive revenue growth through strategies such as expanding our sales team and distribution channels and network, exploring new domestic and U.S. markets, and providing value-added services; (ii) Technological Innovation: continuously improve the technological level of the ultrasonic antivirus series products and services, as well as prospectively introduce the ultrasonic skin repair and AI diagnosis, Schumann frequency sleep monitors and other acoustic technologies in multiple fields of health to meet global market demand and maintain competitive advantage; (iii) Customer Satisfaction: provide customers with high-quality acoustic products and excellent services to promote customer retention and positive reputation; (iv) International Expansion: continue international expansion with a focus on U.S. market based on our U.S. subsidiary's operation, M&A and cross-cultural management; (v) Partnerships and Collaborations: foster partnerships, including collaborations with suppliers, partners, and research institutions; (vi) Risk Management: vigilantly identify, assess, and manage various risks, including market, legal, and supply chain risks; and (vii) Shareholder Returns: generate healthy cash flow and returns for shareholders.

BUSINESS STRATEGY

The Company's business strategy includes striving to provide high-quality products to customers, expanding our footprint in new markets, including the United States and existing markets, and enhancing our branding and market demand through further innovation. The Company provides products to end users through both direct sales and distributors.

International Business Expansion: As of the reporting period, Datasea has already established a subsidiary in the United States (Datasea Acoustics LLC) to expand its operations in international markets. The focus of this strategy is to leverage the United States as a global business hub with its geographical location and resources to further grow Datasea's international market share. This can be achieved through partnerships with local businesses, marketing expansion, and right collaborations.

Technological Innovation: Datasea continues to invest in research and development (R&D) to maintain a leading position in the fields of intelligent acoustics and 5G messaging. This includes continuously improving existing sonic sterilization and deodorization products, developing new applications, products and solutions regarding ultrasound, directional sound, and Schumann resonance, and staying responsive to the growing needs of global customers and the market.

Technology Collaboration: Datasea can foster collaborations with renowned U.S. universities and research institutions through its U.S. subsidiary. By partnering with these institutions, the Company can engage in joint research and development initiatives to create and adopt cutting-edge intelligent acoustics technologies. This collaborative approach helps Datasea maintain its technological leadership and obtain technical capabilities and reserves in relevant fields.

U.S. Patent Acquisition and Technology Protection: Datasea prioritizes the acquisition of U.S. patents to protect its innovations and intellectual property. Rapidly securing U.S. patents for its technologies is essential to maintain its competitive advantage and defend against potential infringement. This proactive approach in patent acquisition will ensure that Datasea's intellectual property remains protected in the U.S. market and provide opportunities for licensing and monetization. These strategies will further strengthen Datasea's position in the global market, consolidate its innovation capacity and protect its intellectual property assets.

Mergers and Acquisitions (M&A) and Joint Ventures: Datasea can expand its products and services portfolio by engaging in mergers and acquisitions or forming joint ventures to meet the growing market demands. Identifying companies that are related to or complementary to the Company's existing domains of expertise can help Datasea rapidly expand its business and market scale. For example, through M&A and collaborations, Datasea can further strengthen its foundation, market depth, and brand localization in the intelligent acoustics industry in the U.S. market.

Contracts and Collaborations: Datasea can actively seek long-term contracts and collaborations with domestic and international customers, partners, and major corporate clients. These collaborations can encompass product sales, technical cooperation, and joint research and development, helping to stabilize revenue and expand market share.

Compensation and Incentives: In recognition of the contributions made to the Company's growth by its directors, executives, employees, consultants, and other external partners, the Company has established a multi-layered compensation and incentive system. This includes incentives such as stock awards for a publicly traded company and equity holdings in core business subsidiaries. To date, the Company has consistently issued relevant stocks to directors, executives, employees, and external consultants as part of its stock incentive program. Looking ahead, the Company plans to extend stock incentive initiatives to even more individuals who contribute significantly to the Company, further encouraging and ensuring active contributions from talents within the organization.

Sustainable Growth: The Company can adopt a sustainable approach to ensure long-term success. This involves focusing on Environmental, Social, and Governance (ESG) issues, ensuring that the Company's operations align with global best practices, and providing sustainable solutions to meet demands of customers.

Market diversification: In the domestic market, Datasea can continue to provide intelligent acoustics and 5G messaging products to various end users, such as corporate customers and household users, to ensure market diversification. In the international market, Datasea intends to target U.S. households and large corporate customers including hospitals, hotels, and schools with leading and high-quality ultrasonic air sterilization, bathroom and cloakroom sterilization and odor removal products, helping to diversify risks and provide broader growth opportunities.

Regulatory Compliance: When expanding into international markets, the Company needs to closely adhere to regulations and laws in various countries and regions. Ensuring compliance is crucial for our long-term success.

In summary, Datasea can pursue its business strategy through international business expansion, technological innovation, contracts and collaborations, and a sustainable growth approach. This will help ensure that the Company gains a competitive advantage in global markets and creates sustainable value for its shareholders.

VIE AGREEMENTS

Shuhai Information Technology Co., Ltd. ("Shuhai Beijing" or the "VIE") is the VIE of our corporate group that is under contractual control by Datasea. Through contractual arrangements (the "VIE Agreements") with Shuhai Beijing, and its shareholders, Zhixin Liu, a stockholder as well as the Chairman, President, CEO and Corporate Secretary of Datasea, and Fu Liu, a stockholder as well as a Director of Datasea (Fu Liu is the father of Zhixin Liu), we receive benefits from the business and lead the daily operation of Shuhai Beijing. Please refer to a condensed consolidating schedule that disaggregates the operations and depicts the financial position, cash flows, and results of operations as of the dates and for the periods stated therein at pages F-12 to F-16 of this Annual Report.

Operation and Intellectual Property Service Agreement – The Operation and Intellectual Property Service Agreement allows Tianjin Information Sea Information Technology Co., Ltd ("WFOE") to manage and operate Shuhai Beijing and collect an operating fee equal to Shuhai Beijing's pre-tax income, per month. If Shuhai Beijing suffers a loss and as a result does not have pre-tax income, such loss shall be carried forward to the following month to offset the operating fee to be paid to WFOE if there is pre-tax income of Shuhai Beijing the following month. Furthermore, if Shuhai Beijing cannot pay off its debts, WFOE shall pay off the debt on Shuhai Beijing's behalf. If Shuahi Beijing's net assets fall lower than its registered capital balance, WFOE shall provide capital for Shuahi Beijing to make up for the deficit.

Under the terms of the Operation and Intellectual Property Service Agreement, Shuhai Beijing entrusts Tianjin Information to manage its operations, manage and control its assets and financial matters, and provide intellectual property services, purchasing management services, marketing management services and inventory management services to Shuhai Beijing. Shuhai Beijing and its stockholders shall not make any decisions nor direct the activities of Shuhai Beijing without Tianjin Information's consent.

Stockholders' Voting Rights Entrustment Agreement – Tianjin Information has entered into a stockholders' voting rights entrustment agreement (the "Entrustment Agreement") under which Zhixin Liu and Fu Liu (collectively the "Shuhai Beijing Stockholders") have vested their voting power in Shuhai Beijing to Tianjin Information or its designee(s). The Entrustment Agreement does not have an expiration date, but the parties can agree in writing to terminate the Entrustment Agreement. Zhixin Liu, is the Chairman of the Board, President, CEO of DataSea and Corporate Secretary, and Fu Liu, a Director of the DataSea (Fu Liu is the father of Zhixin Liu).

Equity Option Agreement – Shuhai Beijing stockholders and Tianjin Information entered into an equity option agreement (the "Option Agreement"), pursuant to which the Shuhai Beijing stockholders have granted Tianjin Information or its designee(s) the irrevocable right and option to acquire all or a portion of Shuhai Beijing Stockholders' equity interests in Shuhai Beijing for an option price of RMB0.001 for each capital contribution of RMB1.00. Pursuant to the terms of the Option Agreement, Tianjin Information and the Shuhai Beijing Stockholders have agreed to certain restrictive covenants to safeguard the rights of Tianjin Information under the Option Agreement. Tianjin Information agreed to pay RMB1.00 annually to Shuhai Beijing stockholders to maintain the option rights. Tianjin Information may terminate the Option Agreement upon prior written notice. The Option Agreement is valid for a period of 10 years from the effective date and renewable at Tianjin Information's option.

Equity Pledge Agreement – Tianjin Information and the Shuhai Beijing Stockholders entered into an equity pledge agreement on October 27, 2015 (the "Equity Pledge Agreement"). The Equity Pledge Agreement serves to guarantee the performance by Shuhai Beijing of its obligations under the Operation and Intellectual Property Service Agreement and the Option Agreement. Pursuant to the Equity Pledge Agreement, Shuhai Beijing Stockholders have agreed to pledge all of their equity interests in Shuhai Beijing to Tianjin Information. Tianjin Information has the right to collect any and all dividends, bonuses and other forms of investment returns paid on the pledged equity interests during the pledge period. Pursuant to the terms of the Equity Pledge Agreement, the Shuhai Beijing Stockholders have agreed to certain restrictive covenants to safeguard the rights of Tianjin Information. Upon an event of default or certain other agreed events under the Operation and Intellectual Property Service Agreement, the Option Agreement and the Equity Pledge Agreement, Tianjin Information may exercise the right to enforce the pledge.

There are a number of uncertainties regarding the status of the rights of Datasea, our Nevada holding company, with respect to its contractual arrangements with the VIE, its founders and owners, including whether the PRC legal system could limit our ability to enforce these contractual agreements due to uncertainties under Chinese law and jurisdictional limits. Due to PRC legal restrictions on foreign ownership in any internet-related businesses we may explore and operate, we do not have any equity ownership of the VIE, but instead we receive the economic benefits of the VIE's business operations through certain contractual arrangements. Our common stock currently listed on the Nasdaq Capital Markets are shares of our Nevada holding company that maintains service agreements with the associated operating companies. The Chinese regulatory authorities could disallow our structure, which could result in a material change in our operations and the value of our securities could decline or become worthless.

We believe that our corporate structure and contractual arrangements comply with the current applicable PRC laws and regulations. We also believe that each of the contracts among our wholly-owned PRC subsidiary, our consolidated VIE and its shareholders is valid, binding and enforceable in accordance with its terms. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structure will be adopted or if adopted, what they would provide. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

Having our operations conducted by the subsidiaries and through contractual arrangements with a variable interest entity (VIE) based in China involves unique risks to investors. The VIE structure is used to allow foreign investment in China-based companies where Chinese law prohibits or restricts direct foreign investment in the operating entities, and Datasea's shareholders may never directly hold equity interests in our Chinese operating entities. The VIE contractual agreement has not been tested in court. We may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. In addition, contractual arrangements entered into by the subsidiary and the PRC operating affiliate may be subject to scrutiny by the PRC tax authorities. Such scrutiny may lead to additional tax liability and fines, which would hinder our ability to achieve or maintain profitability. If the PRC government deems that the VIE Agreements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries or other laws or regulations of the PRC, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations, which may therefore materially reduce the value of our ordinary shares. In the event that in the future a company we hold as a VIE no longer meets the definition of a VIE under applicable accounting rules, or we are deemed not to be the primary beneficiary, we would not be able to consolidate line by line that entity's financial results in our consolidated financial statements for reporting purposes. For a detailed discussion of risks facing the Company as a result of this VIE structure, please see "Risks Relating to our Corporate Structure" from page 42 to page 45 in the Annual Report.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following historical statements of operations and statements of cash flows for the fiscal years ended June 30, 2022 and June 30, 2023, and balance sheet data as of June 30, 2022 and June 30, 2023, which have been derived from our audited financial statements for those periods. Our historical results are not necessarily indicative of the results that may be expected in the future.

Condensed Consolidated Statements of Operations Information

	YEARS ENDED JUNE 30, 2023	YEARS ENDED JUNE 30, 2022
Revenues	$ 7,045,311	$ 17,080,911
Cost of goods sold	6,704,380	16,125,238
Gross profit	340,931	955,673
Operating expenses		
Selling	690,731	1,358,203
General and administrative	8,414,400	5,574,985
Research and development	921,020	1,259,739
Total operating expenses	10,026,151	8,192,927
Loss from operations	(9,685,220)	(7,237,254)
Non-operating income (expenses)		
Other income (expense)	(13,014)	75,075
Interest income	219	50,497
Total non-operating income (expenses), net	(12,795)	125,572
Loss before income tax	(9,698,015)	(7,111,682)
Income tax	-	-
Loss before noncontrolling interest	(9,698,015)	(7,111,682)
Less: (loss) income attributable to noncontrolling interest	(218,323)	(589,974)
Net loss to the Company	(9,479,692)	(6,521,708)
Other comprehensive item		
Foreign currency translation gain attributable to the Company	109,665	10,337
Foreign currency translation gain (loss) attributable to noncontrolling interest	29,734	(22,356)
Comprehensive loss attributable to the Company	$ (9,370,027)	$ (6,511,371)
Comprehensive loss attributable to noncontrolling interest	$ (188,589)	$ (612,330)
Basic and diluted net loss per share	$ (0.38)	$ (0.27)
Weighted average shares used for computing basic and diluted loss per share	24,951,868	23,956,393

Condensed Consolidated Balance Sheets Information

	JUNE 30, 2023	JUNE 30, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ 19,728	$ 164,217
Accounts receivable	255,725	259,410
Inventory, net	241,380	211,353
Value-added tax prepayment	71,261	46,509
Prepaid expenses and other current assets	701,423	575,312
Total current assets	1,289,517	1,256,801
NONCURRENT ASSETS		
Security deposit for rents	-	17,181
Long-term investment	55,358	29,800
Property and equipment, net	85,930	187,831
Intangible assets, net	1,185,787	1,741,791
Right-of-use assets, net	137,856	522,273
Total noncurrent assets	1,464,931	2,498,876
TOTAL ASSETS	$ 2,754,448	$ 3,755,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,005,059	$ 197,573
Short term loan	594,906	-
Unearned revenue	609,175	289,888
Accrued expenses and other payables	1,409,939	994,884
Due to related parties	1,162,856	102,331
Loan payables - current	-	81,950
Operating lease liabilities	124,640	457,949
Total current liabilities	4,906,575	2,124,575
NONCURRENT LIABILITIES		
Operating lease liabilities	26,449	31,470
Loan payables - non-current	1,401,521	-
Total noncurrent liabilities	1,427,970	31,470
TOTAL LIABILITIES	6,334,545	2,156,045
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value, 375,000,000 shares authorized, 27,784,133 and 24,324,633 shares issued and outstanding as of June 30, 2023 and 2022, respectively	27,784	24,325
Additional paid-in capital	24,122,973	20,729,559
Accumulated comprehensive income	393,252	283,587
Accumulated deficit	(28,063,258)	(18,583,566)
TOTAL COMPANY STOCKHOLDERS' EQUITY (DEFICIT)	(3,519,249)	2,453,905
Noncontrolling interest	(60,848)	(854,273)
TOTAL EQUITY (DEFICIT)	(3,580,097)	1,599,632
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 2,754,448	$ 3,755,677

Condensed Consolidated Statements of Changes in Stockholders' Equity Information

	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Total	Noncontrolling interest
	Shares	Amount					
Balance at July 1, 2021	21,474,138	$ 21,474	$12,086,788	$ (12,061,858)	$ 273,250	$ 319,654	$ (241,943)
Net loss	-	-	-	(6,521,708)	-	(6,521,708)	(589,974)
Issuance of common stock for equity financing	2,436,904	2,437	7,679,359	-	-	7,681,796	-
Shares issued for stock compensation expense	246,479	247	641,754	-	-	642,001	-
Capital contribution to Shuhai Beijing from a major shareholder	-	-	62,802	-	-	62,802	-
Shares issued for paying officers' accrued salary	167,112	167	258,856	-	-	259,023	-
Foreign currency translation gain (loss)	-	-	-	-	10,337	10,337	(22,356)
Balance at June 30, 2022	24,324,633	24,325	20,729,559	(18,583,566)	283,587	2,453,905	(854,273)
Net loss	-	-	-	(9,479,692)	-	(9,479,692)	(218,323)
Shares issued for stock compensation expense	3,459,500	3,459	4,375,428	-	-	4,378,887	-
Purchase of minority interest ownership	-	-	(982,014)	-	-	(982,014)	982,014
Foreign currency translation gain	-	-	-	-	109,665	109,665	29,734
Balance at June 30, 2023	27,784,133	$ 27,784	$24,122,973	$ (28,063,258)	$ 393,252	$(3,519,249)	$ (60,848)

Condensed Consolidated Statements of Cash Flows Information

	YEARS ENDED JUNE 30	
	2023	2022
Cash flows from operating activities:		
Loss including noncontrolling interest	$ (9,698,015)	$ (7,111,682)
Adjustments to reconcile loss including noncontrolling interest to net cash used in operating activities:		
Loss on disposal of fixed assets	2,443	916
Depreciation and amortization	701,430	577,822
Bad debt expense (reversal)	(50,421)	284,958
Operating lease expense	620,696	863,691
Stock compensation expense	4,378,887	642,000
Changes in assets and liabilities:		
Accounts receivable	(15,387)	(267,771)
Inventory	(46,919)	(25,323)
Value-added tax prepayment	(29,212)	123,313
Prepaid expenses and other current assets	(141,545)	(224,285)
Accounts payable	839,735	26,236
Unearned revenue	353,849	111,689
Deferred revenue	-	(46,461)
Accrued expenses and other payables	523,534	741,328
Payment on operating lease liabilities	(575,156)	(836,143)
Net cash used in operating activities	(3,136,081)	(5,139,712)
Cash flows from investing activities:		
Acquisition of property and equipment	(3,881)	(51,340)
Acquisition of intangible assets	(80,438)	(1,051,111)
Long-term investment	(28,812)	(30,973)
Net cash used in investing activities	(113,131)	(1,133,424)
Cash flows from financing activities:		
Due to related parties	1,110,238	37,042
Proceeds of loan payables	2,197,400	-
(Repayment) of loan payables	(198,431)	(1,402,336)
Proceeds from capital contribution from a major shareholder	-	62,802
Net proceeds from issuance of common stock	-	7,681,796
Net cash provided by financing activities	3,109,207	6,379,304
Effect of exchange rate changes on cash	(4,484)	8,373
Net increase (decrease) in cash	(144,489)	114,541
Cash, beginning of year	164,217	49,676
Cash, end of year	$ 19,728	$ 164,217
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 25,501	$ -
Cash paid for income tax	$ -	$ -
Supplemental disclosures of non-cash operating, investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 241,093	$ -
Transfer of prepaid software development expenditure to intangible assets	$ -	$ 50,000
Shares issued for accrued bonus to officers	$ -	$ 259,023

CASH TRANSFERS AND DIVIDEND DISTRIBUTION

Shuhai Beijing receives substantially all of its revenue in RMB. Under Shuhai Beijing's current corporate structure, to fund any cash and financing requirements Shuhai Beijing may have, Datasea may rely on dividend payments from its subsidiaries. The WFOE may receive payments from Shuhai Beijing, and then can remit payments to Shuhai Information Skill (HK) Limited in accordance with its registration with the Chinese authority under the "Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies" and pursuant to the VIE Agreements. Then Shuhai Information Skill (HK) Limited may make distribution of such payments directly to Datasea as dividends thereto. Cash dividends, if any, on our shares of common stock will be paid in U.S. dollars.

Under the existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (the "SAFE") by complying with certain procedural requirements. Pursuant to the SAFE Circular 37, Shuhai Beijing is allowed to pay dividends in foreign currencies to WFOE without prior approval from the SAFE, subject to the condition that the remittance of such dividends outside of the PRC shall comply with certain procedures under the PRC foreign exchange regulations applicable to PRC residents only. Approval from or registration with appropriate PRC government authorities is, however, required where RMB is to be converted into a foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for Shuhai Beijing's accounts with little advance notice.

Datasea is a Nevada company conducting substantially all of its operations in China through its PRC subsidiaries, the VIE and its subsidiaries established in China. Datasea may make loans to the PRC subsidiaries and VIE entities subject to the approval from governmental authorities and limitation of amount, or may make additional capital contributions to subsidiaries and VIE entities in China.

Any loans to the subsidiaries or VIE entities in China are subject to foreign investment and are under PRC regulations and foreign exchange loan registrations. For example, loans by us to the wholly foreign-owned subsidiaries or VIE entities in China to finance their activities must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly use for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and does not violate with the negative list on foreign investment. However, since the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice. In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis.

Current PRC regulations permit WFOE to pay dividends to Shuhai Information Skill (HK) Limited only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, in accordance with Article 166 of the PRC Company Law, each of the subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each such entity in China may further set aside a portion of its after-tax profits as the discretionary common reserve, although the amount to be set aside, if any, is determined at the discretion of such entities board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

As of the date of this report, neither Shuhai Beijing nor any of Datasea's subsidiaries have ever paid dividends, made earnings distributions, transferred cash or other assets by kind to Datasea directly or indirectly. Datasea has not made any distributions or paid dividends to its shareholders, including U.S. investors, as of the date of this report. We intend to keep any future earnings to re-invest in and finance the expansion of our business in China. We do not have the intentions to distribute earnings or settle amounts owed under the VIE Agreements in the near future nor do we anticipate that any cash dividends will be paid or Shuhai Beijing's earnings will be distributed and transferred to the holding company in the foreseeable future. See "Summary Consolidated Financial Data".

OUR BUSINESS SUMMARY

We deeply understand that the market needs new application areas, new technologies, and new requirements. Therefore, through the relentless efforts of our team, we transitioned from visual algorithms to non-visual algorithms with acoustics as the core and made significant breakthroughs in the field of acoustics, including ultrasound, infrasound, and directional sound.

Acoustic intelligence is a new field that integrates fundamental acoustic theory with artificial intelligence to gather and process acoustic data and solve problems. Datasea leverages cutting-edge technologies in the realm of intelligent acoustics, especially harnessing the power of ultrasonic sterilization to combat viruses and prevent human infections. This technology capitalizes on the mechanical, thermal, and cavitation effects of ultrasound. When stimulated by ultrasound, microorganisms, including the coronavirus, undergo significant vibration strains, disrupting the virus's outer shell and internal RNA. The rapid movement of protons in the ultrasound eventually devastates microbial structures, annihilating harmful pathogens.

Leveraging Datasea's cutting-edge intelligent acoustics technology together with AI technology, we successfully developed a series of ultrasonic disinfection products named the "Hailijia" series air sterilizer products. This lineup includes solutions tailored for in-door, in-vehicle sterilization and deodorization, restroom and cloakroom purification and deodorization, comprehensive air disinfection, and specialized sterilization suitable for environments such as hospitals, airports, hotels, transportation and residential settings. We started to launch those new products in the China market in the year of 2023. Leading labs such as the Wuhan Institute of Virology have proven this ultrasonic disinfection technology to have 99.83% efficacy in nine seconds against Covid-19 and 99.99% efficacy against Staphylococcus Albus and E-col. Meanwhile, this strategic shift and process are aimed at offering people more effective solutions for purifying their environments and healthier lifestyles for people not only in China, but also the United States and globally, particularly in the post-pandemic era when people have raised higher demands for protection and quality of life.

Additionally, the Company makes innovations in Schumann resonance, directional sound and others, launching ultrasonic Skin Repair with AI diagnosis and Schumann frequency sleep monitors and further creating a higher quality living environment for customers in application fields such as acoustic antivirus, acoustic health, and acoustic agriculture. With a diverse product lineup, we strive to achieve a global leading position in this field within three years.

In a strategic move to demonstrate its presence in the global arena, Datasea established a wholly-owned subsidiary, Datasea Acoustics LLC, in Delaware, USA, on July 31, 2023. This venture underlines Datasea's dedication to "Intelligent Acoustics" and marks its ambition to offer advanced antiviral acoustic solutions at ultrasonic disinfection and sterilization, ultrasonic cosmetology, acoustic medical care, and acoustic agriculture to the US and international market, reaching an ever-growing consumer base. Simultaneously, the establishment of production, assembly, and sales channels, coupled with the reinforcement of technological enhancements and collaborations with international technology laboratories, augments the prospects for the sustainable development of Datasea Acoustics LLC.

Our 5G Messaging business increases and improves how people and businesses communicate, while providing enterprises and brands a platform to engage, convert and efficiently cultivate buying relationships by leveraging 5G messaging service.

The 5G messaging service is known as RCS ("Rich Communication Suite") and integrates phones, messages, and contacts. Specifically, this 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.

5G messaging technology can create a new message ecosystem in which customers and enterprises can directly and efficiently connect via short messages on mobile phone terminals. When businesses apply 5G messaging to marketing initiatives, higher speed, better transmission quality, and lower latency can create brand new and improved customer experience.

As one of the leading service providers in China's 5G communication field, Datasea has several primary products and services targeting different customers and needs, including 5G Integrated Messaging Marketing Cloud Platform ("5G IMMCP"), Smart Push (precision marketing solution) and 5G messaging Top Up business related applications applicable to various industries in China. Together with artificial intelligence (AI), machine learning and data analytic capability, our Acoustics and 5G intelligent products and solutions are able to serve more than 48.42 million enterprises and businesses of all types (over 99% are SMEs) and households in China with digital and intelligent services.

Intelligent Acoustics

Industry overview

Acoustics is an application-oriented subject that continually meets various societal needs and application demands, and exhibits significant development potential. For instance, the integration of acoustics with electronics and communication technology has satisfied people's demands for communicating and enjoying audiovisual content in various occasions, resulting in massive industries such as electroacoustics, telephony, and television. The blend of acoustics and architectural art fulfills the human need for appreciating high-quality music, theater, movies, and other audiovisual programs. Acoustics combined with fields like oceanography addresses challenges related to long-distance underwater detection and communication, providing efficient and indispensable means for human to explore and utilize the oceans. The synergy of acoustics with medicine has given rise to instruments like ultrasound and HIFU, offering new and effective tools for disease diagnosis and treatment and undergoing rapid development. Furthermore, the convergence of acoustics with linguistics, information technology, and related fields has driven the development of speech recognition and synthesis technologies, subsequently linking with cognitive science, making it as one of the fundamental and crucial directions in the future of artificial intelligence. This is why the field of acoustics remains vibrant and dynamic.

Specifically, according to the frequency of sound waves, they are divided into sound waves, ultrasound waves, and infrasound waves. The function of sound waves is to transmit vibration energy and information. A sound wave is a wave that travels through a medium in the form of vibration. The vibrating object causes the air layer particles around it to compress and expand alternately. This change is from near to far, so that the vibration of the excited object spreads at a certain speed. The transmission of this vibration energy is the nature of the propagation of sound waves.

Industry Application and Market Scale

There continues to be significant demand and diverse opportunities for the integration of acoustics with fields such as life and health, natural resources, and agriculture. For example, ultrasound technology has promising application prospects in various sectors, including healthcare, industrial, environmental protection, beauty, and agriculture. Additionally, Schumann resonance has shown effectiveness in sleep health and directional audio plays a crucial role in specific content delivery and personal privacy protection, among other applications. Among these, ultrasound technology, particularly in the areas of air purification, beauty, and agricultural pest control, holds immense market potential.

Ultrasound, or ultrasonics, is the science and technology of sound at frequencies beyond what we can hear. It has a wide range of applications, from medical and health, industrials/inspections, and agriculture. As per The Business Research Company's Ultrasonic Technology Global Market Report 2023, the global ultrasound technology market size will grow from $1.8 billion in 2022 to $2.1billion in 2023 at a compound annual growth rate (CAGR) of 13%. The ultrasound technology market size is then expected to grow to $3.3 billion in 2027 at a CAGR of 12%.

Directional sound is sound technology that is aimed in a particular directional field, rather than spreading naturally according to traditional sound engineering principles. Directional sound can be useful in many different kinds of applications, from home entertainment and consumer products to the evolution of sonic weaponry. According to the Report Prime Market Research, the global directional sound technology market size will grow from $406 million in 2022 to $431 million in 2023. The directional sound technology market size is then expected to grow to $652 billion in 2030 at a CAGR of 6.1%.

Schumann resonance, or the "earth's heartbeat", triggers an Alpha state in human brain which helps people relax, heal faster, and perform better in the daily life. It's the measurement of 7.83 Hz or the electromagnetic frequency of the earth. One of the biggest applications of Schumann resonance is to treat insomnia, which is to help people improve their sleep quality.

Infrasound is a wave phenomenon of the same physical nature as sound but with frequencies below the range of human hearing, specifically below a frequency of 20 Hz. Infrasound is also a powerful weapon in medical and health, such as cancer therapy.

The management believes that acoustics has substantial room for development in the aforementioned domains.

Technological advancement

The Company has non-visual intelligent algorithms and techniques, as well as intelligent acoustics such as applied technology of ultrasound, directional sound, and 5G messaging related applications applicable to various industries in China. Leveraging artificial intelligence technology, the Company has effectively developed a range of products, represented by ultrasound disinfection and sterilization. Besides, the Company has innovated in areas such as Schumann resonance, directional sound and other aspects, and mastered core technologies and their practical applications in various scenarios.

The Company effectively uses the characteristics of ultrasound, such as mechanical effect, thermal effect, cavitation effect and other physical characteristics as well as the combination of chemical effects, to make coronavirus and microorganisms vibrate with very large vibration amplitude, producing strains that could break certain parts of the virus and do damage to the outer shell and to the RNA inside. Eventually, the high-speed movement of the proton of ultrasound can destroy the formation of microorganisms and can kill bacteria and virus effectively. Leading labs such as the Wuhan Institute of Virology have proven this ultrasonic disinfection technology to have 99.83% efficacy in nine seconds against Covid-19 and 99.99% efficacy against Staphylococcus Albus and E-col.

Datasea intends to harness its expertise in directional sound technology as a fundamental tool. Simultaneously, intelligent digital processing technology will be integrated, facilitating its amalgamation with other acoustic applications to realize directional service functionalities across diverse acoustic products. This presents a huge potential for the future. Directional sound employs hyper-directional acoustic propagation technology and ultrasound as the medium and modulates audio signals onto the ultrasonic signal, enabling originally divergent sound to propagate unidirectionally like a spotlight, thereby controlling sound within a limited sound field ahead while minimizing attenuation during long-distance propagation.

The Datasea team leverages Magnetic Induction of Brain Rhythm (MIBR) technology based on Schumann resonance characterized by ultra-low frequency and weak intensity. This technology is specifically designed to selectively enhance and regulate the function of neuronal cells through the utilization of magnetic induction wave energy (MIBR). By generating a natural frequency magnetic field in resonance with the inherent frequencies of the human body, it induces brain waves to enter a deep sleep state, thereby extending the duration of deep sleep and enhancing its quality. This innovative approach is aimed at optimizing sleep patterns and ultimately improving overall sleep quality.

Our Opportunity

Due to the COVID-19 pandemic, people have become increasingly concerned about their health and the quality of the air in their surroundings. This surge in demand for indoor and in-vehicle air purification, air disinfection, and odor removal has propelled the market into a period of robust growth. Leveraging its proprietary technology and operational expertise in harnessing various core characteristics of ultrasound, Datasea has benefited from the rapid development of the indoor environmental purification and air disinfection and sterilization industry worldwide.

The collaborative technology of sonic and artificial intelligence is a disruptive applied technology in the skin repair market. Currently, most of the existing ultrasonic facial beauty devices on the market utilize the strong penetrating power of ultrasound, capable of reaching depths of 4 to 6mm beneath the skin's surface, to provide therapeutic treatments for facial skin whitening and texture improvement, and they are contact-based. The company's contactless ultrasonic and AI skin repair technology and products, especially including the artificial intelligence collaboration of intelligent control arm precision control and AI real-time diagnosis, are disruptive technology applications for the skin repair market. This sector complements the current medical aesthetic industry, which includes six major segments such as cleansing, moisturizing, whitening, spot removal, acne treatment, and anti-aging with significant market space.

Currently, there are relatively few similar technology applications and products related to contactless ultrasonic skin repair technology, directional sound and Schumann resonance in the domestic market, leaving huge opportunities and gaps to be filled.

The broad application prospects of Schumann resonance collaborative technology. The natural frequency magnetic field of Schumann resonance itself has the effect of relieving anxiety and stress, inducing brain waves to enter a deep sleep state, effectively improving the quality of deep sleep, and keeping people away from insomnia. The Magnetic Induction of Brain Rhythm (MIBR) technology, which is mastered by the Company, can create a natural frequency magnetic field similar to Schumann frequency by selectively optimizing and regulating the function of neuronal cells through magnetic induction wave energy (MIBR). It can alleviate stress and solve insomnia problems, and the application terminals of its technology are also portable and convenient to use, which has a great effect on the improvement of sub-health problems in the global population.

Directional sound is currently mainly applied in fields such as audio enhancement, sound system enhancement, and security and communication. Due to technical bottlenecks, adaptability to application scenarios, and cost, there are relatively few similar technological applications and products in the domestic market, and there are a large number of gaps and entry opportunities in the market. The Company has mastered the principles and characteristics of directional sound propagation, as well as the development of corresponding scenario applications. As a basic technology tool, directional sound's innovative collaboration with existing ultrasound and other technology applications and products is expected to fill the market gap globally.

Faced with these promising market opportunities, the Company has proactively established a strategic presence in the field of acoustic intelligence. We have strategically planned for technological advancements, specialized applications, product development, and customer orientation within this domain. As a result of this strategic planning, the Company has rapidly launched ultrasonic-based antivirus equipment. This includes our first-generation surface virus disinfection and sterilization products, as well as our second-generation air antivirus products known as the Hailijia series.

Industry Position of Acoustics Business

The Company holds a prominent position in the field of acoustics, particularly in areas such as ultrasound, infrasound, and directional sound. To promote research and innovation in these areas, the Company actively collaborates with several prominent research institutions and universities, including Chinese Academy of Sciences Institute of Acoustics, China Academy of Information and Communications Technology Cloud Computing and Big Data Research Institute, Tsinghua University Internet Industry Research Institute, Harbin Institute of Technology Artificial Intelligence Research Institute, Beijing Union University, and Jilin University Remote Sensing Research Institute. The Company, together with these partners, is dedicated to conducting research on new topics and developing novel technology applications to drive advancements in the field of acoustics. To better achieve this goal, the Company collaborated for seven joint laboratories to enhance the integration of research resources and cooperation. These collaborations further solidify the Company's leading position in the field of acoustics, providing a strong foundation for future innovations and development.

In addition, the Company, together with MIIT, Key Laboratory of Artificial Intelligence Key Technology and Application Evaluation and Informatization, CAICT Cloud Computing & Big Data Research Institute, released China's inaugural white paper on the acoustic intelligence industry. The paper shares compelling analysis and fact findings on intelligent acoustics technology, the commercialization of the technology, and the industry outlook. The white paper discussed the applications of the acoustic intelligence on an industry level and demonstrated the expectation for Datasea to lead the initiative and highlighted the Company's industry position in the field of acoustics.

General information

As date of the financial year ended June 30, 2023, our acoustic products primarily consist the "HailiJia" series of ultrasonic air sterilization products, including 1) In-door models (floor and desktop models) suitable for different areas and functions, and 2) In-vehicle models; 3) Restroom and Cloakroom purification and deodorization. Comprehensive air disinfection, and specialized sterilization suitable for environments such as hospitals, airports, hotels, transportation and residential areas.

Ultrasonic air sterilizer products:

- In-door models:



- In-vehicle models:

Key Features:

1) Employing ultrasonic high-speed coupling and thermal cavitation effects to comprehensively disinfect and sterilize against a range of pathogens, including COVID-19, H1N1, and others.

2) Designed with ultrasonic human-safe technology, ensuring no radiation, sterilization and disinfection for a safer and healthy environment.

3) Equipped with real-time air quality display, adaptive intelligence mode, and added features like built-in night light, timer, sleep mode, child lock, and Wi-Fi-enabled intelligent control, supporting both touch and remote-control functionalities.

4) Independent testing conducted by an authoritative third party confirmed that Datasea's ultrasonic devices achieved a 99.83% disinfection rate against COVID-19 in just nine seconds.

Air purification and deodorization products:

◆ For restroom:

Key Features: Effectively eliminating restroom odors, purifying the air, killing viruses and eliminating bacteria.

● For cloakroom:

Key Features: Effectively freshing air and neutralizing harmful substances such as formaldehyde, benzene, ammonia and TVOC, and killing viruses and bacteria.

New products planned

Skin Repair Robot (Coming soon)

1) Ultrasonic and Contactless

2) A purely physical way to repair damaged skin

3) shorten skin repair period

4) Artificial intelligence robotic arm with more precise control

5) AI real-time diagnosis

Sleep Monitor (Coming soon)

Hailijia Sleep Monitor adopts ultra-low frequency, weak intensity, and Magnetic induction of brain rhythm (MIBR), which is a magnetic induction of brain rhythm technology. Through the selective optimization and adjustment of the function of neurons through the magnetic induction of brain rhythm (MIBR), the monitor creates a natural frequency magnetic field similar to the Schumann frequency.

Key Features:

1) Reduce the impact of high-frequency radio waves on the human body, relieve anxiety and stress, and gradually relax the body and brain;

2) Resonate between the frequency of Device and the human body's own frequency, induce brain waves to enter a deep sleep state, prolong the time of deep sleep, and improve the quality of deep sleep, thereby improving sleep and keeping users away from insomnia.

Sales and Distribution

As of the date of this report, our acoustic products are mainly developed and produced in China, and the products we sell in China are mainly through:

1) The sales department of Shuhai Beijing and its subsidiaries directly sign sales contracts with customers.

During the reporting period, Shuhai Beijing and its subsidiaries have formed a complete marketing system, promotion strategies and models, including the Company's own sales team and innovative partner models. The sales team of Shuhai Beijing and its subsidiaries cover the core economic zones of China in Beijing, Northeast China, the Yangtze River Delta, and the Guangdong Hong Kong Macao Greater Bay Area, promoting various products and services.

2) Sales Channels

Shuhai Beijing and its subsidiaries have established cooperative relationships with multiple domestic sales and channel merchants and established a nationwide marketing channel network through a partnership system.

On December 2022, the Company unveiled national Hailijia air sterilization product event with an online event and offline product launches in various cities in China, including Beijing, Shenzhen, Tianjin, Hangzhou and Harbin. More than 50 institutions specializing in trade and distribution from China, Southeast Asia, and the Middle East participated in the event, highlighting the market interest in the products. During the product launches, Datasea has entered into eight marketing and distribution agreements in order to expand the business and reach to customers and sell certain Hailijia air sterilizers and purifiers in China.

3) Online distributors and living stream

The Company expands its coverage and increases market penetration by collaborating with multiple non- exclusive online distributors, living stream platform and selling innovative products on major e-commerce platforms.

4) International Business Expansion

As of the date of this report, Datasea has established a subsidiary (Datasea Acoustics LLC) in the United States, actively recruiting a sales team, and promoting cooperation with various local offline and online sales channels to support the sales of acoustic products in the U.S. and international markets.

Key Customers and Agreements

- October 2022 sales agreement with Chengming Shengyuan, in which Chengming Shengyuan will purchase at least 100,000 Hailijia air purifier units with a purchase value of approximately $20.5 million (RMB 150 million) from November 2022 to November 2023 and promote and distribute them primarily through its e-commerce platform.

- In May 2023, Shenzhen Jingwei, a subsidiary of Shuhai Beijing, signed a cooperation agreement with an online distributor, Aierfu, who will sell the "Hailijia" series of acoustic intelligent air sterilization products on multiple major e-commerce platforms.

Key Suppliers and Raw Materials

Our key suppliers for Hailijia's air disinfection and sterilization products series are as follows:

- Guangdong Hakebao Environmental Technology Co., Ltd.

- Shenzhen Ajison Environmental Protection Technology Co., Ltd

- Shenzhen Antuopu Technology Co., Ltd

- Komi Intelligent Manufacturing (Shenzhen) Co., Ltd.

The raw materials used in the Hailijia air disinfection and sterilization products series primarily include 40KHz ultrasonic kill module, Shipu DC brushless motors, temperature and humidity sensors, dust sensors, ultraviolet lamps and HEPA13 level layered filters.

Market Results

Datasea sells acoustic intelligence products through our direct sales team and a select network of distributors and online channel partners. Till this fiscal year, Datasea has 6 channel partners and 4 OEMs, typically account for the substantial majority of our sales. From the beginning of this fiscal year, we began to realize the sales of intelligent acoustics products – Hailijia series air Air sterilizers. Direct sales and distributors sales accounted for 49.48% and 50.52% of our $136,884 net revenue of the intelligent acoustics products for this fiscal year, respectively. We believe aggregate sales of intelligent acoustics products, through all channels, accounted for approximately 1.94% of our total net revenue for this year. Due to the fact that the Company's "HailiJia" series of ultrasonic air sterilization products were officially launched in the first half of 2023, the overall revenue scale has not yet increased significantly.

Latest Advances

In a strategic move to mark its presence in the global arena, Datasea established a wholly owned subsidiary, Datasea Acoustics LLC, in Delaware, USA, on July 31, 2023. This venture underlines Datasea's dedication to "Intelligent Acoustics" and marks its ambition to offer most advanced antiviral acoustic solutions to the U.S. market, attracting an increasing number of consumers.

Furthermore, Datasea will launch products like "Deep Sleep Monitor" and "Skin Repair Robot" to meet the market needs. These initiatives, originated from intelligent acoustics, align with Datasea's strategy to cater to the requirements of the niche market and to consistently pursue product portfolio diversification.

5G Messaging

Industry overview

5G messaging service, which refers to RCS message (rich media communication), is a communication method proposed by the GSMA (Global System for Mobile Communications Association. Specifically, this communication service enables users to achieve the effective integration of texts, pictures, audio, video, emoji, location, contact and other information, and more diversified functions such as online payments, online-offline messages, group chats or group messages with unregistered friends.

Competitive Landscape

Industry applications: 5G messaging open interfaces have docking platforms for customers in various industries such as finance, e-commerce, logistics, tourism, government affairs, education, and electricity, or privately deploy the PaaS platform, or customize the development of various proprietary services for industry customers. The industry applications are extremely broad.

We also believe that the main competitive factors about the 5G messaging business in China is the competition at the market end, including product performance, breadth of product offerings, access to customers, partners and distribution channels, software support, pricing and cost. We believe our ability to remain competitive will depend on our ability to predict well the features and functionality that our customers and partners will need, and our ability to deliver consistent products at high quality and competitive prices. Some of our competitors may have more marketing, financial, distribution and manufacturing resources than we do and may be more responsive to changes in market, policy or customer needs. We anticipate that we may face an increasingly competitive environment in the future.

Our current competitors in the field of 5G messaging include Chinese listed companies with similar service systems or platforms, such as Montnets Technology, Zhongjia Bochuang, Xinguomai, Caixun, Tianyuan Dike.

Our Opportunity and Growth Strategy

GSMA (Global Association for Mobile Communications Systems) predicts that by 2025, China will have more 5G connections than North America and Europe combined, ranking first in the world. The number of 5G connections will reach 460 million, accounting for 28% of the country's total connections. RCS has become an international standard and an international trend. As of September 2020, 90 mobile network operators in the world have launched RCS, with 473 million global monthly active users, according to the GSM Association. By the end of 2021, the RCS market is estimated to be about $74 billion. We believe 5G messaging can improve the retail and commercial user experience. MobileSquared predicts that 74.6% of smartphone users will use RCS channels to communicate by 2023.

Disadvantages of traditional SMS include:

- Only text with 70 words limits

- Plain text information can not meet the rich social needs of individual users

Advantages of 5G messaging over SMS include:

- The interactive content of video, audio, picture and text is not restricted by formation

- Multiple buttons to help guide users, greatly increasing the interaction between enterprises and users

- SMS as a service platform, mobile terminal users as product users

- The AI will reply, users can quickly answer the uplink

Comparison with WeChat Mini Programs/Official Accounts, Alipay Mini Programs and Service Apps:

In the B2C scenario, 5G messages will have greater advantages than WeChat Mini Programs/Official Accounts, Alipay Mini Programs and Life, Government and People's Livelihood Service Apps. For WeChat Mini Programs/Official Accounts, Alipay Mini Programs, or life, government and people's livelihood services, users need to search for mini programs, or need to pay attention to official accounts, or even need to download APPs, and need to authenticate before sending messages, while 5G messages are sent directly through the recipient's mobile phone number. Moreover, compared to WeChat, Alipay and various service apps, 5G messaging can get the coverage and reach of all users, so it has a very strong business value and service capabilities.

Our Products and Plans

Datasea's VIE entity, Shuhai Beijing, has a subsidiary, Guohao Century (Beijing) Technology Ltd. ("Guohao Century"), that improves how people and businesses communicate, while providing brands a platform to engage, convert and efficiently nurture buying relationships by leveraging 5G messaging service.

As one of leading service provider in China's 5G communication field, Datasea has several primary products and services targeting different customers and needs:

1. 5G Message-Marketing Cloud Platform ("5G MMCP").
   The 5G message marketing cloud platform (5G MMCP) aims to provide an all-in-one solution to all the communication and marketing needs of merchants and customers from early communication, sales, to later maintenance.

2. 5G Integrated Messaging Marketing Cloud Platform ("5G IMMCP").
   The 5G Integrated message marketing cloud platform ("5G IMMCP") expands connection with existing clients through accesses such as SMS, email, WeChat, applet, APP Push and third-party tools and manages users.

3. "Smart Push."
   A new precision marketing solution that integrates 5G technology, big data, and data mining to transform marketing experiences. Because 5G wireless can accurately pinpoint locations, a retailer, when using this integrated solution, can see who is near the store and immediately trigger SMS and video SMS to promote products or services to the nearby customer.

4. "5G messaging Top Up business."
   Guohao Century is a service provider and supplier of digital products, and the independently developed 5G message call fee traffic recharge supply platform can provide 5G message call fee traffic recharge services and management. This platform enables users to quickly recharge services, making Guohao Century a supplier, operator, and contract content provider of high-quality digital products and services.

5. 5G messaging Digital Rural Economic Service Platform
   The Datasea 5G messaging Digital Rural Economic Service Platform is an innovative digital tool that has been designed to meet the needs of county market entities in China. This platform utilizes 5G communication messages as the carrier and 5G communication message platforms as the basic capabilities, along with its own 5G communication message application platform, data analytics, AI capabilities, language model platforms, e-commerce platforms, and big data platforms.

Key Customers and Agreements

- In June 2023, Shuhai Beijing and its subsidiaries entered into a cooperation agreement with Xiamen Duocaomai Network Technology Co., Ltd. to sell 5G top up, generating a total revenue of RMB 35,531,574 (US $5,118,746) as of August 31, 2023.

- In August 2023, Shuhai Beijing and its subsidiaries entered into a cooperation agreement with Hynuo (Qingdao) Network Technology Co., Ltd. to sell 5G top up, generating a total revenue of RMB12,880,718 (US $1,855,621) as of August 31, 2023.

- In June 2023, Shuhai Beijing signed a cooperation agreement with Qingdao Hongxin Times Network Technology Co., Ltd. to sell 5G top up, generating a total revenue of RMB 2,710,711 (US $390,510) by August 31, 2023.

Key Suppliers and Raw Materials

Our 5G messaging products are generally software systems or platforms, mainly developed by the Company's inhouse research and development team.

Market Results

Datasea helps the digital transformation and upgrading of cities and enterprises in the Chinese market through its self-developed 5G messaging platforms. As of the end of the year, the revenue mainly came from the service fee of our 5G messaging service, whose net income was US $6,686,691, accounting for 94.91% of the total net income of the year. Among them, the net revenue from 5G messaging Top-up services is US $4,481,442, accounting for 67.02% of the company's net revenue from the 5G messaging business, while the rest is revenue from cloud platform construction project service fees.

Impact of coronavirus outbreak

In early December 2022, China announced a nationwide relaxation of the zero-coronavirus policy, and the recovery of consumption directly drove the Company's 5G message top-up business to achieve rapid growth in the fourth quarter of 2023. However, the impact of the COVID-19 outbreak still depends on future mutations of the virus, including new information about the severity of the global outbreak and the measures taken, or the emergence of new or more severe strains that are highly uncertain and unpredictable. Therefore, while we do not expect the COVID-19 outbreak to have a negative impact on our business, results of operations and financial condition, the relevant financial impact cannot be reasonably estimated at this time.

RECENT MATERIAL DEVELOPMENTS

During the reporting period, the Company has granted 3,459,500 registered shares under S-8 under the 2018 equity incentive plan to its directors, management, founding team, and employees, as well as to its advisors, issuing a total of 3,459,500 ordinary shares for incentive purposes at a grant price of zero US dollars.

On May 16, 2023, Shuhai Information Technology Co., Ltd. (the "Buyer", the VIE and a consolidated affiliated entity of Datasea, entered into an Office Purchase Agreement (the "Office Purchase Agreement") with Fu Liu (the "Seller"), a member of the Board of Directors and a stockholder of Datasea. Pursuant to the Office Purchase Agreement, Buyer will purchase a 2,824.29 square meter office located in Fenggang Jingdong Urban Science and Technology Financial Innovation Center Phase II Project, Building No. 4 Scientific Research Building, PRC (the "Property"). The total purchase price is RMB73,431,540, equivalent to approximately $10,642,252, payable in 5,912,362 shares of common stock of Datasea (the "Consideration Shares"), at an issuance price of $1.80 per share. Pursuant to the requirements of Section 14(c) of the Securities Exchange Act of 1934, Datasea subsequently filed on July 7, 2023 a definitive information statement pertaining to the issuance of the Consideration Shares and the approval thereof by holders of a majority of Datasea's voting capital stock by written consent in lieu of a meeting. On July 28, 2023, the Consideration Shares, comprising 5,912,362 shares of common stock of Datasea, were issued to the Seller pursuant to the terms of the Office Purchase Agreement. Subsequent to such issuance, Datasea had a total of 33,696,495 shares of common stock issued and outstanding, and the Seller held 12,010,182 shares of common stock, constituting approximately 35.64% of the total issued and outstanding common stock of Datasea. Due to certain transfer process requirements in China, on August 17, 2023, Datasea and the Seller have voluntarily rescinded the issuance of the 5,912,362 Consideration Shares. The 5,912,362 Consideration Shares have been cancelled, and following such cancellation, the Company had a total of 27,784,133 shares of common stock issued and outstanding. The issuance of the Consideration Shares to the Seller will be effected at a later time once all transfer process requirements in China have been met.

On August 1, 2023, Datasea entered into two separate subscription agreements with a certain non-U.S. investor ("Investor A"), pursuant to which the Company agreed to sell and Investor A agreed to purchase an aggregate of 4,760,000 shares of common stock price (the "Shares") at a $1.2 per share purchase price. Such Shares must be held for a period of 365 days. In accordance with such two agreements, Investor A shall pay a total purchase price of $2,856,000 in RMB, with an amount of RMB 20,000,000 no later than September 10, 2023 and another purchase price of $2,856,000 in RMB, with an amount of RMB 20,000,000 no later than September 30, 2023. On September 10, 2023, the Company and Investor A signed a supplementary agreement to revise the aforementioned payment date of September 10, 2023 to September 30, 2023, which is aligned with the payment schedule outlined in the second original agreement.

On August 15, 2023, Datasea entered into a subscription agreement (the "Agreement") with a non-U.S. investor ("Investor B"), pursuant to which the Company agreed to sell and Investor B agreed to purchase an aggregate of 2,962,963 shares of common stock price (the "Shares") at a $1.35 per share purchase price, with a total subscription price of $4,000,000. Such Shares must be held for a period of 180 days. Within 5 business days after the signing of the Agreement, Investor B shall pay the amount of $714,286 to the Company, which has been received by the Company as of August 16, 2023, and additionally and before October 15, 2023, Investor B shall pay the remainder amount of $3,285,714 to the Company.

On September 13, 2023, Datasea Inc. announced the closing of its underwritten public offering of 5,000,000 shares of common stock at a public offering price of $0.40 per share, for aggregate gross proceeds of approximately $1.635 million, after deducting underwriting discounts and other offering expenses. In addition, the Company has granted the underwriter a 45-day option to purchase up to an additional 750,000 shares of common stock at the public offering price per share, less the underwriting discounts to cover over-allotments, if any. EF Hutton, division of Benchmark Investments, LLC, acted as the sole book-running manager for the offering. The common stock was offered by the Company pursuant to a "shelf" registration statement on Form S-3 (File No. 333-272889), which was filed with the U.S. Securities and Exchange Commission (SEC) and declared effective by the SEC on July 21, 2023.

OUR CORPORATE HISTORY AND STRUCTURE

VIE Agreements

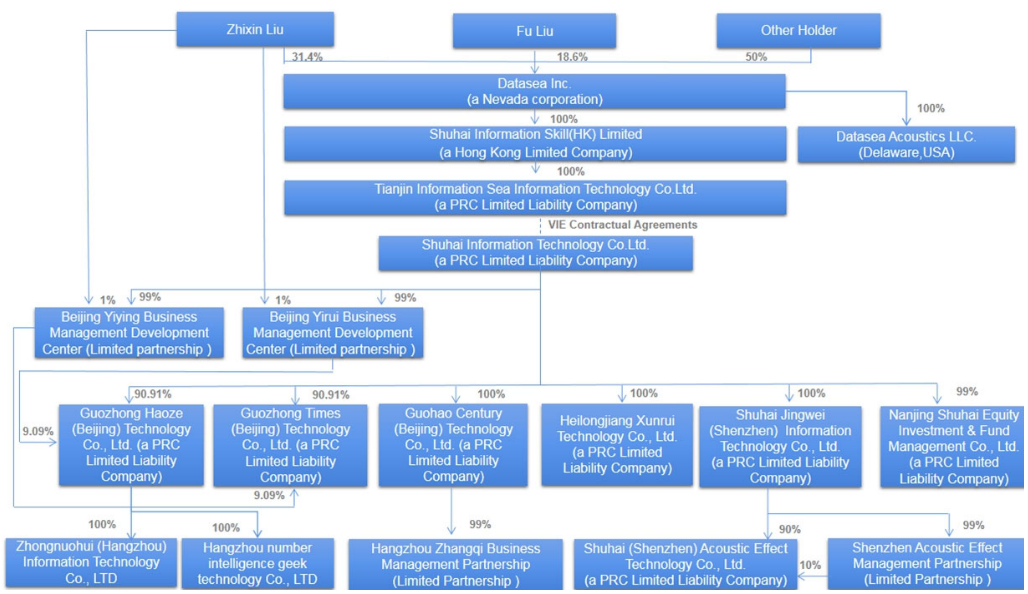
Datasea relies on contractual arrangements with the consolidated VIE and its shareholders, Zhixin Liu, Chairman of the Board, President, CEO of Datasea and Corporate Secretary, and Fu Liu, a Director of the Datasea (Fu Liu is the father of Zhixin Liu), to operate our business. The contractual arrangements with respect to the VIE are not equivalent to an equity ownership in the business of the VIE. We consolidate the VIE as a primary beneficiary through the contractual agreements between Tianjin Information, an indirect subsidiary of Datasea and Shuhai Beijing, the VIE. If the consolidated VIE or its shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by the consolidated VIE is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in the consolidated VIE, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

A condensed consolidating schedule that breaks down the operations and depicts the financial position, cash flows, and results of operations as of the same dates and for the fiscal years ended June 30, 2021 and 2020 in tabular form was contained in pages F-12 to F-16 of the 2021 Annual Report.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the U.S.. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over the consolidated VIE, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

Our Organizational Structure

The Company's organizational chart as of September 20, 2023:



Please refer to the discussion in NOTE 1 - ORGANIZATION AND PRINCIPAL ACTIVITIES of the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report for a narrative of our organization structure and operating subsidiaries, including their dates of incorporation and history.

Competitive Strengths

The Company believes our market position and potential future growth can be attributed to the following key factors and competitive strengths:

Innovative technologies and products: Companies with a track record of innovations and a pipeline of new technologies and products can maintain a competitive advantage, which includes focusing on the core industries of acoustics and artificial intelligence (AI), actively participating in the formulation of industry technical standards and the building of a protective barrier, and developing international technical cooperation in China and the United States. We continue to enhance our technological leadership in the field of acoustics, along with the market opportunities created.

Global presence: An extensive international presence can open up new markets and revenue streams, based on the building of operational platforms and market channels in the United States, and the establishment of Datasea Acoustics LLC, a Delaware subsidiary in the U.S., confirms the Company’s pace and determination in implementing its global business strategy.

Strong and diverse management team: The Company has an experienced and visionary management team that can effectively drive strategic plans and adapt to market changes.

Building an international talent team is essential for the sustainable development of the Company. Firstly, we actively tap into internal potential by sending our Vice General Manager of the Research and Development Department, Mr. Li Huan, to pursue further education at a university in Austria. This helps us cultivate talents reserve and acquire new technological knowledge. Secondly, we continuously recruit specialized talents, both in China and the United States, to enhance the Company’s capabilities in management, marketing, sales, capital markets, and corporate governance, promoting our level of internationalization.

The Company’s management team is also very diversified. Among the five members of the board of directors, there are three males and two females, a 40% female representation on the board. Additionally, within the Company’s management, there are four Asian and one White executives. Taking into account the Chief Financial Officer (CFO) and Chief Technology Officer (CTO), the Company’s executive team comprises seven members, including four males and three females. This reflects the Company’s commitment to and demonstration of diversity, equality, and transparency.

Endorsement from the third-party technical certification: Leading third-party labs such as the Wuhan Institute of Virology have proven this ultrasonic disinfection technology to have 99.83% efficacy in nine seconds against Covid-19 and 99.99% efficacy against Staphylococcus Albus and E-col. Meanwhile, this strategic shift and process support the Company to provide a safer and healthier lifestyle for users worldwide in the post-pandemic era with a greater focus on protection and quality of life.

ESG (Environmental, Social, and Governance) Initiatives: Commitment to ESG principles can attract socially responsible investors and enhance the Company's reputation.

RESEARCH AND DEVELOPMENT

Datasea's board of directors and management attach great importance to the building of a technological product innovation and research and development system.

Primarily, the Company's core research and development efforts are directed towards the advancement and innovation of various technologies encompassing acoustic applications and artificial intelligence. The overarching objective of innovative research rooted in acoustics is to provide technical support for the development of acoustic applications across various industries. In the realm of acoustic intelligence, which includes ultrasound, infrasound, directional sound, and Schumann resonance, the Company has carried out in-depth collaborations with esteemed research institutions such as the Institute of Acoustics at the Chinese Academy of Sciences, the Institute of Artificial Intelligence, the China Institute of Information and Communication Technology, the China Institute of Standards, and the China Artificial Intelligence Industry Alliance in technological innovation, expert resources, and the industry standards development.

As of now, the Company's acoustic research and development has formed a core application matrix of acoustic technology with ultrasound as the core and Schumann resonance and directional sound as the assistance.

In terms of ultrasound, the Company innovatively uses the longitudinal wave collaborative field of air ultrasound, and the skin-promoting effect of standing surface wave accelerates the skin repair cycle. Moreover, the high-frequency vibration characteristics of ultrasound are fully reflected in the micro-particle atomization method, and the atomization spray using special consumables can fully penetrate into the dermis of the skin, which can double skin repair effect.

In terms of directional sound, the Company has achieved a breakthrough in the transmission of sound waves within an extremely narrow angle (25 degrees) and also achieved signal recovery at the lowest audible frequency in the world (20Hz).

In addition, the Company's R&D team has developed a general pretrained transformer based on AI and a pretrained Large Language Model (LLM) with deep scene fusion. The intelligent service module based on the large language model has been widely used in the Company's 5G messaging business and digital city services, which can effectively improve user efficiency.

Intellectual property rights

The Company has established the main direction of technical innovation and application of non-visual convergent technology with acoustic intelligence as the core. As of September 2023, Shuhai Beijing has four currently valid patents (all patents here are PRC registered), Xunrui Technology has two valid patents and Tianjin Information has one currently valid patent, Shenzhen Jingwei has three valid patents, Shenzhen Acoustic has four valid patents, Shuhai Beijing also has twelve patent applications under substantive examination, as shown below:

The Company actively develops and uses acoustic intelligent technologies and products to establish technical barriers and thresholds that are different from other competitors. Research and Development has always been the core and driving force of the Company's development. The Company strengthens the application and industrialization of the unique intelligent acoustics technology Landing services and fully implements the industrial and technological layout of acoustic sterilization, acoustic medical beauty, acoustic medical treatment, acoustic agriculture, and acoustic detection. In the post-epidemic era, the Company launched a series of acoustic sterilization products that utilize the interaction between ultrasound and biology. Mastering the core technology to solve practical problems using the characteristics of sound waves (especially ultrasound and infrasound) enables the Company to seize the opportunity in the field of acoustic intelligence industry.

As of September 2023, the Company has made the following achievements in patent applications from the State Intellectual Property Bureau:

Publication and Granted Patents:

No.	Publication Number	Description	Application Status
		Patents Owned by Shuhai Beijing	
1	CN108922101B	An smart security campus management system of Shuhai Information	Granted
2	CN108871456B	Shuhai security intelligent sensor system	Granted
3	CN109033874B	A multi-role login method and system of Android program based on SQlite database	Granted
4	CN111179546	An adaptive distributed audio alarm method and system	Granted
		Patents Owned by Tianjin Information	
5	CN108961661B	Three-dimensional smart security alarm linkage system	Granted
		Patents owned by Xunrui Technology	
6	CN110374479B	A type of intelligent security equipment	Granted
7	CN112964372B	The invention relates to a new infrared temperature measuring device and a temperature measuring method.	Granted
		Patents owned by ShenzhenJingwei Technology	
8	CN107036218B	A novel ultrasonic atomizer device	Granted
9	CN218853183U	The handle used for sterilizing the device	Granted
10	CN218247901U	Ultraviolet ultrasonic plasma disinfection equipment	Granted
		Patents owned by Acoustic Effect Technology	
11	CN307831947S	Acoustic effect disinfection instrument type I (universal)	Granted
12	CN307831948S	Acoustic effect disinfection man-machine coexistence instrument I	Granted
13	CN307831949S	Acoustic effect disinfection instrument I (high-end version)	Granted
14	CN307830199S	Intelligent acoustic effect handle type I	Granted

Patents under Substantive Examination:

No.	Publication Number	Description	Application Status
		Shuhai Beijing:	
1	CN109146406A	The attendance system of Shuhai Information based on GPS positioning information supported RFID technologies	Substantive examination
2	CN108985423A	An electronic student card system of Shuhai Information	Substantive examination
3	CN111191540A	An object status analysis method and system based on thermal gradient	Substantive examination
4	CN111243623A	A method, device and system concerning progressive audio alarm	Substantive examination
5	CN111179527A	An alarm method, device, system and storage medium based on dynamic audio information	Substantive examination
6	CN111191656A	Behavior recognition method and system based on multi-spectral image information	Substantive examination
7	CN2019113640070	An S-AIOT information management method and system based on consensus mechanism	Substantive examination
8	CN111212445A	An S-AIOT information processing method and system based on neural network	Substantive examination
9	CN111179969A	An alarm method, device, system and storage medium based on audio information	substantive examination
		Xunrui Technology:	
10	202110164267.4	The invention relates to an intelligent temperature detection method, device and electronic equipment	Substantive examination
11	202110162293.3	Facial expression recognition method, device and electronic equipment based on complex scene	Substantive examination
		Shuhai Zhangxun:	
12	2021114316160	Intelligent information communication system based on 5G message	Substantive examination
		Shuhai Jingwei:	
13	202210811431.0	A high frequency acoustic effect air coupled microbial elimination method and device	Accepted

Major products

The Company mainly focuses on developing the following two categories of products: software and smart hardware devices.

Software system - mainly refers to software systems and solutions related to 5G messaging cloud platforms/5G digital platforms and smart cities. As a result of the Company's increased investment in R&D and the training of technical talents, the Company's software has a total of 106 copyright registrations in China, of which Shuhai Beijing owns 35 Software Copyright registrations, Xunrui owns 27 Software Copyright registrations, Tianjin Information owns 23 Software Copyright registrations and Shuhai Acoustic owns 3 Software Copyrights, and Shenzhen Jingwei owns 18 Software Copyrights. The details are as follows:

Software Copyright Owned by Shuhai Beijing

No.	Certification	Certificate No.
1	Shuhai XIN Platform internet activity audit security management system V1.0	Ruan Zhu Deng Zi No.1054520
2	Shuhai XIN Platform WIFI device feature collection management system V1.0	Ruan Zhu Deng Zi No.1111383
3	Shuhai XIN Platform micro mall system V1.0	Ruan Zhu Deng Zi No.1111535
4	Shuhai XIN Platform SMS platform system V1.0	Ruan Zhu Deng Zi No.1111683
5	Shuhai XIN platform 3G website content management system V1.0	Ruan Zhu Deng Zi No.1111690
6	Shuhai media advertising system V1.0	Ruan Zhu Deng Zi No.1111694
7	Shuhai XIN platform micro marketing system V1.0	Ruan Zhu Deng Zi No.1111700
8	"Shuhai Safe Campus" mobile end - security management system V2.0	Ruan Zhu Deng Zi No.1575317
9	"Shuhai Safe Campus" security management system V2.0	Ruan Zhu Deng Zi No.1575313
10	"Shuhai XIN Platform" front-end equipment control system for smart elevator detection V2.0	Ruan Zhu Deng Zi No.1574419
11	"Shuhai XIN Platform" smart elevator inspection & pre-alarm management platformV2.0	Ruan Zhu Deng Zi No.1575648
12	"Shuhai XIN Platform" smart elevator real-time monitoring and alarm management platform V2.0	Ruan Zhu Deng Zi No.1575758
13	"Shuhai XIN Platform" smart elevator screen equipment monitoring system V2.0	Ruan Zhu Deng Zi No.1575665
14	"Shuhai XIN Platform" smart advertisement launching system V2.0	Ruan Zhu Deng Zi No.1575670
15	Shuhai Information smart safe campus management system V1.0	Ruan Zhu Deng Zi No.2888248
16	Shuhai Information XIN Platform security management system (Android Version) V2.21	Ruan Zhu Deng Zi No.2918496
17	Shuhai information XIN platform security management system (IOS version) V2.21	Ruan Zhu Deng Zi No.2918467
18	Shuhai Information big data smart decision-making platform for governmental affairs V1.0	Ruan Zhu Deng Zi No.2962930
19	Shuhai Information campus smart brain information management platform V1.0	Ruan Zhu Deng Zi No.2961899
20	Shuhai Information university big data innovation laboratory platform V1.0	Ruan Zhu Deng Zi No.2962919
21	Shuhai Information Food Traceability Management System V1.0	Ruan Zhu Deng Zi No.10176578
22	Shuhai information comprehensive canteen management application system V1.0	Ruan Zhu Deng Zi No.10176482
23	Shuhai information integrated community intelligent management user platform V1.0	Ruan Zhu Deng Zi No.10176481
24	Shuhai Information campus cloud security management system V1.0	Ruan Zhu Deng Zi No.10176483
25	Shuhai information physical network edge transmission gateway platform V1.0	Ruan Zhu Deng Zi No.10176483
26	Shuhai information aggregation message marketing cloud platform V1.0	Ruan Zhu Deng Zi No.10176528
27	Shuhai Communication 5G message application management system V1.0	Ruan Zhu Deng Zi No.10176582
28	Shuhai Information integrated community group Shopping Mall system V1.0	Ruan Zhu Deng Zi No.10176530
29	Shuhai Information online shopping retail service platform V1.0	Ruan Zhu Deng Zi No.10176529
30	Shuhai information integrated community intelligent management platform V1.0	Ruan Zhu Deng Zi No.10176484
31	The three-dimensional linkage system for Epidemic Prevention and control in Shuhai Information Community V1.0	Softcopy Registration No.7128687
32	Shuhai information scanning code aggregation payment system	Softcopy Registration No.7299094
33	Shuhai information social group purchase system	Softcopy Registration No.7296663
34	Shuhai information face recognition payment system V1.0	Softcopy Registration No.7298094
35	Shuhai information online shopping mall System	Softcopy Registration No.7300125

Software Copyright owned by Xunrui Technology

No.	Certification	Certificate No.
36	Xunrui smart security integrated management platform v1.0	Ruan Zhu Deng Zi No.5201855
37	Xunrui big data visual analytics platform v1.0	Ruan Zhu Deng Zi No.5201772
38	Xunrui visual recognition algorithm platform v1.0	Ruan Zhu Deng Zi No.5201824
39	Xunrui non-visual recognition algorithm platform v1.0	Ruan Zhu Deng Zi No.5201861
40	Xunrui epidemic prevention and control linkage early warning system v1.0	Ruan Zhu Deng Zi No.5201704
41	Xunrui smart campus security management system v1.0	Ruan Zhu Deng Zi No.5201776
42	Xunrui smart scenic area security management system v1.0	Ruan Zhu Deng Zi No.5201574
43	Xunrui smart community security management system v1.0	Ruan Zhu Deng Zi No.5201869
44	Xunrui smart one-key alarm management system v1.0	Ruan Zhu Deng Zi No.5201784
45	Xunrui smart guest management system v1.0	Ruan Zhu Deng Zi No.5201780
46	Xunrui O2O community group Shopping Mall system V1.0	Ruan Zhu Deng Zi No.9940999
47	Xunrui Smart Campus Security cloud platform system V1.0	Ruan Zhu Deng Zi No.9941054
48	Xunrui Wisdom canteen arrangement system V1.0	Ruan Zhu Deng Zi No.9941000
49	Xunrui aggregation message cloud platform V1.0	Ruan Zhu Deng Zi No.9941047
50	Xunrui B2B2C online mall system V1.0	Ruan Zhu Deng Zi No.9941055
51	Xunrui Wisdom Canteen Food traceability system V1.0	Ruan Zhu Deng Zi No.9995289
52	Xunrui 5G message cloud platform V1.0	Ruan Zhu Deng Zi No.9995307
53	Xunruirong media information marketing platform	Ruan Zhu Deng Zi No.10318231
54	Xunrui comprehensive online Office OA System	Ruan Zhu Deng Zi No.10318229
55	Xunrui integrated security cloud platform	Ruan Zhu Deng Zi No.10318227
56	Xunrui Smart Apartment management system	Ruan Zhu Deng Zi No.10318271
57	Xunrui Aggregate payment and settlement system	Ruan Zhu Deng Zi No.10318221
58	Xunrui AI intelligent algorithm analysis platform	Ruan Zhu Deng Zi No.10318230
59	Xunrui intelligent acoustic recognition system	Ruan Zhu Deng Zi No.10318269
60	Xunrui Intelligent Park management system	Ruan Zhu Deng Zi No.10318270
61	Xunrui Wisdom Catering System	Ruan Zhu Deng Zi No.10318268
62	Xunrui satellite remote sensing - Agricultural Management System	Ruan Zhu Deng Zi No.10318228

Software Copyrights owned by Tianjin Information

No.	Certification	Certificate No.
63	Campus danger alarm system V1.0	Ruan Zhu Deng Zi No.7177594
64	Community prevention and control personnel information registration system V1.0	Ruan Zhu Deng Zi n No.7140470
65	Intelligent Community Management System V1.0	Ruan Zhu Deng Zi No.7125871
66	Community prevention and control health information Management system V1.0	Ruan Zhu Deng Zi No.7131600
67	Campus epidemic prevention and control personnel access management system based on face recognition	Ruan Zhu Deng Zi No.7263518
68	Campus epidemic prevention and control temperature measurement data management system	Ruan Zhu Deng Zi No.7242759
69	Intelligent community intelligent monitoring and management system V1.0	Ruan Zhu Deng Zi No.7558127
70	Campus information Management System V1.0	Ruan Zhu Deng Zi No.7561345
71	Intelligent community access control management system	Ruan Zhu Deng Zi No.7568924
72	Community prevention and control temperature measurement data management system	Ruan Zhu Deng Zi No.7565701
73	Campus monitoring system V1.0	Ruan Zhu Deng Zi No.7570612
74	Community prevention and control personnel information Management system V1.0	Ruan Zhu Deng Zi No.7570807
75	Campus Intelligent acoustic Warning System V2.0	Ruan Zhu Deng Zi No. 8580724
76	Intelligent acoustic Early warning System V2.0 for medical and nursing environment	Ruan Zhu Deng Zi No. 8580553
77	Intelligent acoustic Early warning system V2.0 for public places	Ruan Zhu Deng Zi No. 8580552
78	Swimming pool intelligent acoustic warning system V2.0	Ruan Zhu Deng Zi No. 8580686
79	Home Intelligent Acoustic Warning System V2.0	Ruan Zhu Deng Zi No. 8580685
80	Hotel Intelligent acoustic warning system V2.0	Ruan Zhu Deng Zi No. 8580725
81	5G message data acquisition System 1.0	Ruan Zhu Deng Zi No.11109956
82	5G message aggregation cloud platform	Ruan Zhu Deng Zi No.11109703
83	Cockpit management platform	Ruan Zhu Deng Zi No.11109957
84	Data Asset Management Platform 1.0	Ruan Zhu Deng Zi No.11109896
85	Digital Employee Management System 1.0	Ruan Zhu Deng Zi No.11109704

Software Copyrights owned by Acoustic Effect Technology

86	High frequency acoustic effect air coupling algorithm software V1.0	Ruan Zhu Deng Zi No.9854777
87	High frequency acoustic effect air coupling and collaborative ultraviolet control algorithm software V1.0	Ruan Zhu Deng Zi No. 9877299
88	Variable frequency acoustic effect coronavirus feature elimination algorithm software V1.0	Ruan Zhu Deng Zi No.9864534

Soft Copyrights owned by Shuhai Jingwei

89	Square intelligent acoustic early warning and recognition system 1.0	Ruan Zhu Deng Zi No.10322358
90	Community medical center intelligent acoustic early warning recognition system 1.0	Ruan Zhu Deng Zi No.10322366
91	Stadium intelligent acoustic early warning and identification system 1.0	Ruan Zhu Deng Zi No.10319630
92	Home intelligent acoustic early warning recognition system 1.0	Ruan Zhu Deng Zi No.10322359
93	College intelligent acoustic Early warning and recognition system 1.0	Ruan Zhu Deng Zi No.10322365
94	Apartment intelligent acoustic Early warning and recognition system 1.0	Ruan Zhu Deng Zi No.10319699
95	Shuhai Jingwei 5G message aggregation cloud platform	Ruan Zhu Deng Zi No.10688735
96	Shuhai Jingwei Data collection system V1.0	Ruan Zhu Deng Zi No.10688734
97	Shuhai Jingwei digital team management system	Ruan Zhu Deng Zi No.10688737
98	Shuhai Jingwei messaging platform 1.0	Ruan Zhu Deng Zi No.10688736
99	Shuhai Jingwei message marketing cloud platform 1.0	Ruan Zhu Deng Zi No.10688734
100	Shuhai Jingwei data asset management platform V1.0	Ruan Zhu Deng Zi No.11022539
101	Shuhai Jingwei SOP management system	Ruan Zhu Deng Zi No.10688732
102	Shuhai Jingwei smart community integrated management client platform	Ruan Zhu Deng Zi No.10688733
103	Shuhai Jingwei Intelligent Park security cloud platform	Ruan Zhu Deng Zi No.10688731
104	High frequency acoustic effect air coupling algorithm software V1.0	Ruan Zhu Deng Zi No.10688740
105	High frequency acoustic effect air coupling and collaborative ultraviolet control algorithm software V1.0	Ruan Zhu Deng Zi No.10688739
106	Variable frequency acoustic effect coronavirus feature elimination algorithm software V1.0	Ruan Zhu Deng Zi No.10688738

Intellectual Property Planning

Datasea is dedicated to cultivating a core product portfolio within the realm of acoustic intelligence, with a primary focus on the integration of acoustics and artificial intelligence. The Company is actively pursuing patent applications to establish a robust technological barrier. Over the course of the next three years, Datasea has outlined its strategic goals, centering its efforts on promising domains such as ultrasound, Schumann resonance technology, and directional sound. The intended achievements include:

Shuhai Beijing, serving as the Company's flagship operating entity in China, aims to secure a total of 20 new invention patents and 10 international patents within the field of acoustics.

Our overseas subsidiary, primarily based in Delaware, intends to obtain 5 U.S. invention patents and 5 international invention patents in the domain of acoustics.

These strategic endeavors underscore Datasea's commitment to innovation and its ambition to solidify its position as a leading player at the intersection of acoustics and artificial intelligence.

R&D Investment

As for the fiscal year ended June 30, 2022 and 2023, we spent $1,259,739 and $938,784 on research and development, respectively. Datasea, the VIE, and its subsidiaries intend to invest approximately $10 million in technological product development over the next three years. The budget for each sector is presented in the table below.

No.	Item	% in budget
1	Salary of R&D personnel (incl. the introduction of high-end talents)	58%
2	Procurement of scientific research facilities	20%
3	Procurement of testing devices	6%
4	Intermediate testing and tooling	5%
5	Establishment of new technical schedule	4%
6	Appointment of external technical experts	5%
7	Others	2%

PRODUCT MANUFACTURING

Intelligent hardware terminals

For the fiscal year ended June 30, 2023, our products primarily consist the "HailiJia" series of ultrasonic air sterilizer products, including 1) In-door models (floor and desktop models) suitable for different areas and functions, and 2) In-vehicle models; 3) Restroom and Cloakroom purification and deodorization. Comprehensive air disinfection, and specialized sterilization suitable for environments such as hospitals, airports, hotels, transportation and residential buildings.

- Ultrasonic air sterilization products

  - Air purification and deodorization products:

    For restroom model

    For cloakroom model

  - New products planned

    Skin Repair Robot (Coming soon)

    Sleep Monitor (Coming soon)

Production mode

In the Chinese market, on the basis of a comprehensive understanding of the industry and the market, the Company has adopted the model of manufacturing outsourcing in the production of intelligent acoustic hardware products and an independent or joint design model in product appearance, and established the control process of "prototype selection - prototype determination - content determination - replication efficiency and replication effect" on the basis of product line standardization. At the same time, the Company has established the R&D management process from "approval-node monitoring-assessment", and optimized the standard manufacturing process and construction management process to guide factory production, supply chain procurement and project site construction. During the reporting period, the Company has added a professional antivirus and odor removal equipment manufacturer to customize and produce bathroom and cloakroom odor products and equipment using Datasea's intelligent acoustics technology. Meanwhile, Schumann sleep aid product has been finalized and developed with partner manufacturers.

In the U.S. market, with the establishment of Datasea Acoustics LLC, a subsidiary in the United States, the establishment of assembly lines and production lines has been initiated. At the same time, cooperation with various local manufacturing enterprises will also be a rapid way to realize international production of products.

Control over manufacturing process and quality

1. The Company has the following requirements on outsourcing partners: independent production facilities, advanced manufacturing equipment, smart production lines, abundant outsourcing cooperation cases and a good reputation in the industry.

2. Outsourcing partners shall pass through ISO9001:2008, ISO14001:2004, OHSAS18001:2007 and CCC certification, and meet our production and manufacturing standards.

3. Outsourcing partners should have a separate quality management department to take charge of the overall quality management system including establishment, maintenance and continuous improvement.

4. Outsourcing partners should have built up a relatively complete quality management system;

   SQA: control over supplier quality system, quality standard formulation, quality assurance capability improvement and guidance, material quality confirmation;

   IPQC: responsible for quality control of the manufacturing process, to make sure that the manufacturing process meets relevant technical and quality requirements, and problems are timely identified, back-fed and addressed;

   QC: responsible for overall inspection and delivery inspection of finished products.

5. The Company checks whether the manufacturing quality of outsourcing partners meets the Company's requirements by assigning resident personnel to do sample test of manufactured goods and collecting feedback from the customer experience.

Outsourcing partners and outsourced products

As of June 30, 2023, we have established partnerships with approximately 60 outsourcing partners. We are currently seeking other outsourcing partners and looking for new opportunities to retain and optimize our outsourcing and supply chain resources.

GOVERNMENT REGULATION AND LICENSES

Our operations are subject to and affected by PRC laws and regulations. The primary governmental regulation regulating the Internet security equipment industry in the PRC is the Cybersecurity Law, effective June 1, 2017, which governs entities providing "critical information infrastructure." This statute provides basic protections for Internet users, such as not selling individual's data to other companies without the user's permission and not knowingly distributing malware. China's new Data Security Law took effect in September 2021. The Data Security Law provides that data processing activities must be conducted based on "data classification and hierarchical protection system" for the purpose of data protection and prohibits entities in China from transferring data stored in China to foreign law enforcement agencies or judicial authorities without prior approval by the Chinese government.

On December 28, 2021, thirteen governmental departments of the PRC, including the Cyberspace Administration of China (the "CAC"), issued the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provide that an online platform operator, which possesses personal information of at least one million users, must apply for a cybersecurity review by the CAC if it intends to be listed in foreign countries. Because the VIE's current operations do not possess personal information from more than one million users at this moment, the Company does not believe that the Company is subject to the cybersecurity review by the CAC. In addition, as of the date of this report, the Company has not been involved in any investigations on cybersecurity review initiated by any PRC regulatory authority, nor has the Company received any inquiry, notice, or sanction related to cybersecurity review under the Cybersecurity Review Measures.

The wholly owned subsidiaries and the VIE and its subsidiaries are required to have, and each has, a business license issued by the PRC State Administration for Market Regulation and its local counterparts. In addition, major PRC regulations applicable to our products and services and the Internet security industry include Internet Security Protection Technology Measures Provision (Ministry of Public Security Order No. 82) ("Order 82"). Order 82 specifies certain security measures Internet service providers shall take to ensure Internet security. Providers of ISP connecting service and Internet-based data processing service are within the scope of Order 82. It does not call for any license or permission to any entities.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. Substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. Although we believe that CSRC's approval is not required for the listing and trading of our common stock on Nasdaq, we cannot assure you that relevant PRC governmental agencies, including the CSRC, would reach the same conclusion as we do.

Shuhai Beijing currently maintains the following licenses issued by the PRC government that are material to its operations:

- Business License issued by Beijing Municipal Industry and Commerce Administration;
- Beijing Statistics Registration Certificate issued by Beijing Municipal Bureau of Statistics;
- Value-Added Telecommunications Business Operating License issued by Ministry of Industry and Information Technology;
- Security Engineering Qualification Certificate issued by China Security Technology Prevention Industry Association; and
- The information security management system certification certificate issued by New Century Inspection and Certification Co., Ltd;
- Environmental Management System Certification Certificate issued by Beijing Xinjiyuan Certification Co., Ltd;
- Occupational Health and Safety Management System Certification Certificate issued by Beijing Xinjiyuan Certification Co., Ltd
- Quality Management System Certification Certificate issued by Zhengbiao Lianxin (Beijing) Certification Service Co., Ltd
- Network Culture Business License issued by the Beijing Municipal Bureau of Culture and Tourism

Shuhai Beijing also maintains the following certificates for its business:

- National High Tech Enterprises Certificate jointly issued by Beijing Municipal Science & Technology Commission, Beijing Municipal Finance Bureau, and Beijing Municipal Tax Service, State Taxation Administration;

- Zhongguancun High Tech Enterprises Certificate issued by Zhongguancun Science Park Administrative Committee;

- Membership Certificate issued by China Security Technology Prevention Industry Association;

- Information Security Management System Certificate issued by Beijing Inspection and Certification Limited Company; and

- Environmental Management System Certificate issued by Huaxinchuang (Beijing) Certification Center Co., Ltd

EMPLOYEES

As of the date of this report, we have approximately 53 full-time employees and no part-time employees. The following table sets forth the number of our employees categorized by function as of that date:

Function	Total Number of Employees
Management	5
Human Resources Administrative Management	10
Internal Controls	1
Capital Operation	2
Purchase	3
Marketing and Sales	5
Research & Development	21
Finance & Accounting	6
Total	53

Item 1A. Risk Factors

An investment in our common stock is very speculative and involves a high degree of risk. You should carefully consider the following risk factors in evaluating our business before purchasing any shares of our common stock. No purchase of our common stock should be made by any person who is not in a position to lose the entire amount of his or her investment. The order of the following risk factors is presented arbitrarily. You should not conclude the significance of a risk factor because of the order of presentation. Our business and operations could be seriously harmed as a result of any of these risks.

Risks Relating to Our Business and Industry

We have a limited operating history as a developer of intelligent acoustics, 5G messaging and other products and services. Our limited operating history may not provide an adequate basis to judge our future prospects and results of operations.

We have a limited operating history. The operating entity, Shuhai Beijing, was formed in February 2015 and may not generate material revenue or any profit in the foreseeable future. We are still in the process of developing, marketing and expansion of our business. We expect that our intelligent acoustics (including ultrasound, infrasound, directional sound, and Schumann resonance), 5G messaging and other products and services will be our core business in the future. We have limited experience and operating history in developing and marketing our products and services. In addition, the market for our products and services is highly competitive. If we fail to successfully develop and offer our products and services in an increasingly competitive market, we may not be able to capture the potential growth opportunities associated with our products and services or recover our development and marketing costs, and our future results of operations and growth strategies could be adversely affected. Our limited history may not provide a meaningful basis for investors to evaluate our business, financial performance and prospects.

Our independent registered public accounting firm's auditors' report includes an explanatory paragraph stating that there is substantial doubt about our ability to continue as a going concern.

We are an early and development stage company and have limited financial resources. We had cash balances of $164,217 and $19,728 as of June 30, 2022 and June 30, 2023, respectively. We generated revenues of $7,045,311 during the year ended June 30, 2023. We had a net cash outflow of $144,489 during fiscal year ended June 30, 2023. We had a deficit of approximately $28,067,500 at June 30, 2023.

Our resources and source of funds have primarily consisted of loans and capital contributions from shareholders and funds raised from equity financing. We believe these are sufficient to keep our business operations functioning for the next twelve months. We have generated revenue of $7,045,311 from our business during the year ended June 30, 2023, and our expenses will be accrued until sufficient financing is obtained or our shareholders loan us the necessary funds to pay for these expenses.

On August 1, 2023, the "Company entered into two separate subscription agreements with a certain non-U.S. investor ("Investor A"), pursuant to which the Company agreed to sell and Investor A agreed to purchase an aggregate of 4,760,000 shares of common stock price at a $1.2 per share purchase price. Such shares must be held for a period of 365 days. In accordance with such two agreements and a subsequent supplementary agreement, Investor A shall pay a total purchase price of $5,712,000 in RMB, at an amount of RMB 40,000,000, no later than September 30, 2023. On September 21, the Company has received all of the payment of RMB 40,000,000.

On August 15, 2023, Datasea Inc. (the "Company") entered into a subscription agreement with a non-U.S. investor (the "Investor B"), pursuant to which the Company agreed to sell and Investor B agreed to purchase an aggregate of 2,962,963 shares of common stock at a $1.35 per share purchase price, with a total subscription price of $4,000,000. Such shares must be held for a period of 180 days. On August 16, 2023, the investor made the initial investment payment of RMB 5,000,000 to the Company, equal to $714,286.

On September 13, 2023, the Company closed its underwritten public offering of 5,000,000 shares of common stock at a public offering price of $0.40 per share, for aggregate gross proceeds of approximately $1,635,000, after deducting underwriting discounts and other offering expenses. In addition, the Company has granted the underwriter a 45-day option to purchase up to an additional 750,000 shares of common stock at the public offering price per share.

Although such liquidity concern may be mitigated by the Company's sale of shares, no assurances can be given that we will be able to obtain funds from our shareholders or others to continue our operations in the future. We may need to seek additional financing. The financing sought may be in the form of equity or debt financing or a combination of both from various sources as yet unidentified. No assurance can be given that we will generate sufficient revenue or obtain the necessary financing to continue as a going concern and the failure to do so could cause us to cease our operations.

Supply chain issues that increase our costs or cause a delay in our ability to fulfill orders, could have an adverse impact on our business and operating results, and our failure to estimate customer demand properly may result in excess or obsolete component supply, which could adversely affect our gross margins.

Currently, we do not own or operate our manufacturing facilities, but rely on third-party contractors to manufacture our products, and expect that we will continue to rely on existing and new contractual manufacturers for the foreseeable future. The following reliance issues could have an adverse impact on the supply of our products and on our business and operating results:

- Any financial problems of our contract manufacturers or component suppliers could limit supply or increase costs;
- Reservation of manufacturing capacity at our contract manufacturers by other companies, inside or outside of our industry, could limit supply or increase costs; and
- Industry consolidation occurring within one or more component supplier markets could limit supply or increase costs.

In addition, the following supply chain-related issues could adversely affect our customer relationships, operating results and financial condition:

- a reduction or interruption in supply of one or more components;
- a significant increase in the price of one or more components;
- a failure to adequately authorize procurement of inventory by our contract manufacturers; and
- a failure to appropriately cancel, reschedule or adjust our requirements based on our business needs.

Over the long term, we intend to invest in engineering, sales, service and marketing activities, and these investments may achieve delayed, or lower than expected, benefits which could harm our operating results.

While we intend to focus on managing our costs and expenses, over the long term, we also intend to invest in personnel and other resources related to our engineering, sales, service and marketing functions as we realign and dedicate resources to key growth areas, such as intelligent acoustics, 5G messaging and other products and services. We are likely to recognize the costs and expenses associated with these investments earlier than some of the anticipated benefits, and the return on these investments may be lower, or may develop more slowly, than we expect. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our operating results may be adversely affected.

Our business substantially depends upon the continued growth of intelligent acoustics, 5G messaging and other products and services, the decrease of which could have a negative impact on our business.

A substantial portion of our business and revenue depends on the growth of intelligent acoustics, 5G communication in the PRC and globally, including the continued development and expansion of the Internet. To the extent that an economic slowdown or economic uncertainty and any related reductions in capital spending adversely affect spending on Internet infrastructure, we could experience material harm to our business, operating results and financial condition.

Because of the rapid introduction of new products and changing customer requirements related, we believe that we could receive a high degree of publicity and visibility. Because smart security systems are our major products and resources, our business, operating results and financial condition may be materially adversely affected, regardless of whether or not these problems are due to the performance of our own products or services. Such an event could also result in a material adverse effect on the market price of our common stock independent of direct effects on our business.

Product quality problems could lead to reduced revenue, gross margins, and net income.

The sonic air sterilization products we provide is highly complex as the products incorporate both hardware and software technologies. There can be no assurance that the pre-shipment testing programs we develop in the future will be adequate to detect all defects, including defects in individual products or defects affecting numerous shipments. Such potential defects might interfere with customer satisfaction, reduce sales opportunities or affect gross margins. As an example, software typically contains bugs that can unexpectedly interfere with expected operations. From time to time, we will have to replace certain components and provide remediation in response to the discovery of defects or bugs in our products. There can be no assurance that such remediation, depending on the product involved, would not have a material adverse impact on our business. An inability to cure a product defect could result in the failure of a product line, temporary or permanent withdrawal from a product or market, damage to our reputation, additional inventory costs, or product reengineering expenses, any of which could have a material adverse impact on our revenue, margins and net income.

We will likely have to incur indebtedness or issue new equity securities to fund future growth. If we are not able to obtain additional capital, our ability to operate or expand our business may be impaired and our results of operations could be adversely affected.

Our business requires significant levels of capital to finance the research and development of new products and service platforms that meet the constantly evolving industry standards and consumer demands. As such, we expect that we will need additional capital to fund our future growth. For the time being, we are primarily depending on contribution from shareholders, equity financing and cash income. If cash from such sources is insufficient or unavailable, or if cash is used for unanticipated needs, we may require additional capital sooner than anticipated. Our ability to obtain additional capital on acceptable terms or at all is subject to a variety of uncertainties, including:

- investors' perceptions of, and demand for, companies operating in China;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;

- our future results of operations, financial condition and cash flows
- governmental regulation of foreign investment in China;
- economic, political and other conditions in the United States, China and other countries; and
- governmental policies relating to foreign currency borrowings.

The sale of additional equity securities would result in dilution of our existing shareholders. In addition, the incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict our operations. It is highly uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. If we are not able to obtain additional capital, our ability to operate or expand our business may be impaired and our results of operations could be adversely affected.

Our success is dependent on retaining key personnel who would be difficult to replace.

Our success depends largely on the continued services of our key management and technical staff. In particular, our success depends on the continued efforts of Ms. Zhixin Liu, our Chairman of the Board of Directors, Chief Executive Officer, President and Corporate Secretary, and Mr. Fu Liu, one of our directors and Ms. Liu's father. Ms. Liu and Mr. Liu have been instrumental in developing our business model and are crucial to our business development. There can be no assurance that they will continue in their present capacities for any particular period of time. The loss of the services of Ms. Liu and/or Mr. Liu could materially and adversely affect our business development.

The various industries we are in are characterized by constant and rapid technological change and evolving standards. If we fail to anticipate and adapt to these changes and evolutions, our sales, gross margins and profitability will be adversely affected.

Technologies change rapidly in the intelligent acoustics, 5G messaging industries with frequent new products and service developments and evolving industry standards. Companies operating within these industries are continuously developing new products and services with heightened performance and functionality, putting pricing pressure on existing products. Accordingly, we believe that our future success will depend on our ability to continue to anticipate technological changes and to offer additional product and service opportunities that meet evolving standards on a timely and cost-effective basis. Our failure to accurately anticipate the introduction of new technologies or adapt to fluctuations in the industry could lead to our having significant amounts of obsolete inventory that can only be sold at substantially lower prices and profit margins than anticipated. In addition, if we are unable to develop planned new technologies, we may be unable to compete effectively due to our failure to offer products or services most demanded by the marketplace. Products and services that our competitors develop or introduce may also render our products and services noncompetitive or obsolete. If any of these failures occur, our business and results of operations would be adversely affected.

We depend on contract manufacturers, and our production and products could be harmed if they are unable to meet our volume and quality requirements and alternative sources are not available.

We rely on third party contract manufacturers to provide manufacturing services for our products. If these services become unavailable, we would be required to identify and enter into new agreements with other contract manufacturer or take the manufacturing in-house. The loss of our contract manufacturers could significantly disrupt production as well as increase the cost of production. These changes could have a material adverse effect on our business and results of operations.

We have seen a substantial improvement and progress in our internal control over financial reporting. If no improvement measures are taken, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

Our management has assessed the effectiveness of our internal control over financial reporting with an assessment report as of June 30, 2023, and plans to shorten the cycle and increase the frequency concerning the testing cycle for the effectiveness of internal control measures. The annual risk control assessment reporting system will be improved to a quarterly risk control assessment system.

Our efforts in the building of our internal control system are not limited to the formulation and implementation of financial management and control measures, but focuses on the combination of comprehensive and targeted control to build up an internal control system that best fits us. According to the management system imperfections concerning job responsibilities and departmental processes that are identified through self-examination, the Company, by highlighting six elements of "internal environment, risk assessment, control activities, information and communication, and internal supervision" and seven control measures of separate control of incompatible functions, authorization and approval control, accounting system control, property protection control, budget control, operation analysis control and performance appraisal control", is gradually establishing and improving an internal control system featuring organizational structure, development strategy, human resources, social responsibility, corporate culture, financial activities, procurement business sales business, research and development, financial reports, comprehensive budget, contract management, internal information transfer and information system and other contents, and it is formulating the internal control system applicable to the whole company and organizing related implementation in accordance with relevant laws and regulations and supporting measures..

By the end of the fiscal year ended June 30, 2023, we have established a Risk Control Department led by the internal control director and external legal counsels to ensure the Company's compliance with relevant regulations and risk management requirements. We also formulated new policies or integrated a series of internal control policies, including but not limited to the process from procurement to payment, the process from payment to the sales, cash management, cost management, budget process, accounts receivable policy, policy to prevent and detect fraud, assets and inventory management, internal audit policy and cost accounting. We further set up bookkeeping under U.S. GAAP and we provided training for our employees, such as the Finance Department, Marketing Department, and senior executives. We also set up the International Affair Department to strengthen our compliance and financing management in the international capital market.

Our compliance with complicated U.S. regulations concerning corporate governance and public disclosure will result in additional expenses. Moreover, our ability to comply with all applicable laws, rules and regulations is uncertain given our management's relative inexperience with operating U.S. public companies.

As a public company, we are facing with expensive, complicated and evolving disclosure, governance and compliance laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the Dodd–Frank Wall Street Reform and Consumer Protection Act. New or changing laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. As a result, our efforts to comply with evolving laws, regulations and standards of a U.S. public company are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, our executive officers have little experience in operating a U.S. public company, which makes our ability to comply with applicable laws, rules and regulations uncertain. Our failure to comply with all laws, rules and regulations applicable to U.S. public companies could subject us or our management to regulatory scrutiny or sanction, which could harm our reputation and stock price.

Failure to comply with the Foreign Corrupt Practices Act could adversely affect our business.

We are required to comply with the United States Foreign Corrupt Practices Act (or FCPA), which prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some of our competitors, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in mainland China. If our competitors engage in these practices, they may receive preferential treatment from personnel of other companies or government agencies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new licenses, which would put us at a disadvantage.

We have operations, agreements with third parties, and make sales in China. Companies with operations in China have been accused and found guilty of sales practices that involve unlawful activity, including violations of the FCPA. We believe to date we have complied in all material respects with the provisions of the FCPA. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants and/or distributors of our Company may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the government may seek to hold our Company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

We may be subject to liability if private information that we receive is not secure or if we violate privacy laws and regulations.

Because we store, process and use data, some of which contain personal information, we are subject to complex and evolving federal, state and foreign laws and regulations regarding privacy, data protection and other matters. Many of these laws and regulations are subject to constant evolvement and change and uncertain interpretation. Any violation of these laws could result in investigations, claims, changes to our business practices, increased cost of operations and declines in user growth, retention or engagement, any of which could materially adversely affect our business, results of operations and financial condition.

In November 2016, the Standing Committee of the National People's Congress passed China's first cybersecurity law, or CSL, which took effect in June 2017. The CSL systematically lays out cybersecurity and data protection regulatory requirements and subjects many previously under-regulated or unregulated activities in cyberspace and data management to government scrutiny. Compliance costs and other burdens related to CSL as well as China's regulatory measures on the collection, storage, use and provision of network data may affect users' use and acceptance of our products and services, and may have a significant adverse impact on our business, directly affecting our market development channels and financial revenue capacity.

The European Union General Data Protection Regulation 2016/679 ("GDPR"), which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR establishes new requirements applicable to the processing of personal data (*i.e.*, data which identifies an individual or from which an individual is identifiable), affords new data protection rights to individuals (*e.g.*, the right to erasure of personal data) and imposes penalties for serious data breaches. Individuals also have a right to compensation under the GDPR for financial or non-financial losses. Although we do not conduct any business in the European Economic Area, in the event that residents of the European Economic Area access our website and input protected information, we may become subject to provisions of the GDPR. Compliance with the GDPR will impose additional responsibilities and liabilities in relation to our processing of personal data. The GDPR may require us to change our policies and procedures and, if we are not compliant, could materially adversely affect our business, results of operations and financial condition.

We are also subject to laws restricting disclosure of information relating to our employees. We strive to comply with all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy, data security, cybersecurity and data protection. However, given that the scope, interpretation, and application of these laws and regulations are often uncertain and may be conflicting, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us or our third-party service-providers to comply with our privacy or security policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, may result in governmental enforcement actions, litigation, or negative publicity, and could have an adverse effect on our business and operating results.

Risks Relating to Our Corporate Structure

Our corporate structure, in particular, the Variable Interest Entity (or VIE), and their agreements (or VIE Agreements), are subject to significant risks, as set forth in the following risk factors.

If the PRC government deems that the VIE Agreements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries or other laws or regulations of the PRC, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations, which may therefore materially reduce the value of our ordinary shares.

We are a holding company incorporated in Nevada. As a holding company with no material operations of our own, we conduct a substantial majority of our operations through the operating entities established in the People's Republic of China, or the PRC, primarily our variable interest entity (the "VIE") and its subsidiaries. Due to PRC legal restrictions on foreign ownership in any internet-related businesses we may explore and operate, we do not have any equity ownership of the VIE, instead we control and receive the economic benefits of the VIE's business operations through certain contractual arrangements. Our common stock currently listed on the Nasdaq Capital Markets are shares of Datasea, our Nevada holding company, that maintains service agreements with the associated operating companies. The Chinese regulatory authorities could disallow our structure, which could result in a material change in our operations and the value of our securities could decline or become worthless. For a description of our corporate structure and contractual arrangements, see "Our Organizational Structure" on page 22 and "VIE Agreements" on page 4.

We believe that our corporate structure and contractual arrangements comply with the current applicable PRC laws and regulations. We also believe that each of the contracts among our wholly-owned PRC subsidiary, the consolidated VIE and its shareholders is valid, binding and enforceable in accordance with its terms. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structure will be adopted or if adopted, what they would provide. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If these regulations change or are interpreted differently in the future and our corporate structure and contractual arrangements are deemed by the relevant regulators that have competent authority, to be illegal, either in whole or in part, we may lose control of the consolidated VIE, which conducts our manufacturing operations, holds significant assets and accounts for significant revenue, and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down our services;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and contractual arrangements;
- restricting or prohibiting our use of the proceeds from overseas offering to finance the consolidated VIE's business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. The occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations and the market price of our common stock. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of the consolidated VIE or our right to receive their economic benefits, we would no longer be able to consolidate the financial results of such VIE in our consolidated financial statements, which may cause the value of our securities to significantly decline or even become worthless.

We depend upon the VIE Agreements in conducting our business in the PRC, which may not be as effective as equity ownership.

We rely on contractual arrangements with the consolidated VIE and its shareholders, Zhixin Liu, Chairman of the Board, CEO and President of Datasea, and Fu Liu, a Director of Datasea (Fu Liu is the father of Zhixin Liu), to operate our business. The affiliation with Shuhai Beijing is managed through the VIE Agreements, which agreements may not be as effective in providing us with control over Shuhai Beijing as equity ownership. These contractual arrangements may not be as effective as equity ownership in providing us with control over the consolidated VIE. If the consolidated VIE or its shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by the consolidated VIE is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in the consolidated VIE, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the U.S. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over the consolidated VIE, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

We may not be able to consolidate the financial results of some of the affiliated companies or such consolidation could materially adversely affect our operating results and financial condition.

All of our business is conducted through Shuhai Beijing, which is considered a VIE for accounting purposes, and we are considered the primary beneficiary, thus enabling us to consolidate its financial results in our consolidated financial statements. In the event that in the future a company we hold as a VIE no longer meets the definition of a VIE under applicable accounting rules, or we are deemed not to be the primary beneficiary, we would not be able to consolidate line by line that entity's financial results in our consolidated financial statements for reporting purposes. Also, if in the future an affiliate company becomes a VIE and we become the primary beneficiary, we would be required to consolidate that entity's financial results in our consolidated financial statements for accounting purposes. If such entity's financial results were negative, this would have a corresponding negative impact on our operating results for reporting purposes.

Because we rely on the Operation and Intellectual Property Service Agreement with Shuhai Beijing for our revenue, the termination of this agreement Or be forcibly discharged would severely and detrimentally affect our continuing business viability under our current corporate structure.

We are a holding company and all of our business operations are conducted through the VIE Agreements. As a result, our revenues mainly rely on dividend payments from Tianjin Information after it receives payments from Shuhai Beijing pursuant to the Operation and Intellectual Property Service Agreement. Shuhai Beijing may terminate the Operation and Intellectual Property Service Agreement for any or no reason by Chinese government at all. Because neither we, nor the subsidiaries, own equity interests of Shuhai Beijing, the termination of the Operation and Intellectual Property Service Agreement would sever our ability to continue receiving payments from Shuhai Beijing under our current holding company structure. While we are currently not aware of any event or reason that may cause the Operation and Intellectual Property Service Agreement to terminate, we cannot assure you that such an event or reason will not occur in the future. In the event that the Operation and Intellectual Property Service Agreement is terminated, this would have a severe and detrimental effect on our continuing business viability under our current corporate structure, which, in turn, may affect the value of your investment.

Contractual arrangements entered into by the subsidiary and the PRC operating affiliate may be subject to scrutiny by the PRC tax authorities. Such scrutiny may lead to additional tax liability and fines, which would hinder our ability to achieve or maintain profitability.

Under PRC law, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If any of the transactions entered into by the subsidiary and the PRC operating affiliate are found not to have been conducted on an arm's length basis or to result in an unreasonable reduction in tax under PRC law, the PRC tax authorities have the authority to disallow tax savings, adjust the profits and losses of the respective PRC entities and assess late payment interest and penalties.

The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Ms. Zhixin Liu and Mr. Fu Liu are majority shareholders of Datasea and the shareholders of the VIE, Shuhai Beijing. Ms. Liu is our Chairman, Chief Executive Officer, President and Secretary, while Mr. Liu is one of our directors. They may have potential conflicts of interest with us. These shareholders may breach, or cause the VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIE, which would have a material and adverse effect on our ability to effectively control the VIE and receive substantially all the economic benefits from it. For example, the shareholders may be able to cause our agreements with Shuhai Beijing to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. We rely on Ms. Liu and Mr. Liu to abide by the laws of the State of Nevada and China, which provide that directors owe a fiduciary duty to the Company that requires them to act in good faith and in what they believe to be the best interests of the Company and not to use their position for personal gains. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Shuhai Beijing, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

If any of the affiliated entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy assets held by such entity, which could materially and adversely affect our business, financial condition and results of operations.

We currently conduct our operations in China through contractual arrangements with the affiliated entities. As part of these arrangements, substantially all of our assets that are important to the operation of our business are held by the affiliated entities. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of the affiliated entities undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our common stock.

We are a "controlled company" within the meaning of the NASDAQ Stock Market Rules and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

We are a "controlled company" as defined under the NASDAQ Stock Market Rules because Mr. Liu and Ms. Liu hold more than 50% of our voting power. For so long as we remain a controlled company under that definition, we are permitted to elect to rely, and will rely, on certain exemptions from the obligation to comply with certain corporate governance requirements, including:

- the requirement that our director nominees must be selected or recommended solely by independent directors; and
- the requirement that we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

As a result, you will not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NASDAQ Stock Market.

Risks Associated With Doing Business in China

Changes in the policies of the PRC government could have a significant impact upon the business we may be able to conduct in the PRC and the profitability of our business.

The PRC's economy is in a transition from a planned economy to a market-oriented economy subject to five-year and annual plans adopted by the government that set national economic development goals. Policies of the PRC government can have significant effects on the economic conditions within the PRC. The PRC government has confirmed that economic development will follow the model of a market economy. Under this direction, we believe that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will follow market forces. While we believe that this trend will continue, there can be no assurance that this will be the case. A change in policies by the PRC government could adversely affect our interests by, among other factors: changes in laws, regulations or the interpretation thereof, confiscatory taxation, restrictions on currency conversion, imports or sources of supplies, or the expropriation or nationalization of private enterprises. Implementation of the negative list system. Although the PRC government has been pursuing economic reform policies for more than two decades, there is no assurance that the government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption, or other circumstances affecting the PRC's political, economic and social environment.

The approval and/or other requirements of the CSRC or other mainland China governmental authorities may be required in connection with our issuance of securities overseas under mainland China rules, regulations or policies, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such other requirements.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, purport to require offshore special purpose vehicles that are controlled by mainland China companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of mainland China domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or a delay in obtaining CSRC approval for our future issuance of securities overseas may subject us to sanctions imposed by the CSRC and other mainland China regulatory agencies, which could include fines and penalties on our operations in mainland China, restrictions or limitations on our ability to pay dividends outside of mainland China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Furthermore, on July 6, 2021, the PRC government promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities, or the July 6 Opinions, which, among other things, called for enhanced administration and supervision of overseas-listed mainland China-based companies, proposed to strengthen the supervision of the overseas issuance and listing of shares by mainland China-based companies and clarified the responsibilities of competent domestic industry regulators and government authorities. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly released the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, network platform operators with personal information of over one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before going to list abroad.

The new rules for the filing-based administration of overseas securities offerings and listings by Chinese domestic companies released on February 17, 2023, or New Filing Rules, establish a new filing-based regime to regulate overseas offerings and listings by domestic companies. According to the New Filing Rules, (i) an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC; and (ii) the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering, issuance of convertible bonds, offshore relisting after go-private transactions and other equivalent offing activities. In addition, after a domestic company has offered and listed securities in an overseas markets, it is required to file a report to the CSRC after the occurrence and public disclosure of certain material corporate events, including but not limited to, change of control and voluntary or mandatory delisting. From March 31, 2023, enterprises that have been listed overseas shall constitute existing enterprises and are not required to conduct the overseas listing filing procedure immediately, but shall carry out filing procedures as required if they conduct future offshore offerings or capital raising activities or are involved in other circumstances that require filing with the CSRC.

On February 24, 2023, the CSRC, together with other relevant government authorities, issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Archives Rules, which became effective on March 31, 2023. According to the Archives Rules, domestic mainland China companies, whether offering and listing securities overseas directly or indirectly, must strictly abide the applicable laws and regulations when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities companies, securities services providers such as accounting firms, or overseas regulators in the process of their overseas offering and listing. If such documents or materials contain any state secrets or government authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority. Furthermore, the Archives Rules also provides that securities companies and securities service providers shall also fulfill the applicable legal procedures when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or government authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest.

A slowdown or other adverse developments in the PRC economy may harm our customers and the demand for our services and our products.

All of our operations are conducted in the PRC. Although the PRC economy has grown significantly in recent years, there is no assurance that this growth will continue. A slowdown in overall economic growth, an economic downturn, a recession or other adverse economic developments in the PRC could significantly reduce the demand for our products and services.

If relations between the United States and China worsen, investors may be unwilling to hold or buy our stock and our stock price may decrease.

At various times during recent years, the United States and China have had significant disagreements over political and economic issues. Controversies may arise in the future between these two countries that may affect our economic outlook both in the United States and in China. Any political or trade controversies between the United States and China, whether or not directly related to our business, could reduce the price of our common stock.

Future inflation in China may inhibit the profitability of our business in China.

In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our services and products rise at a rate that is insufficient to compensate for the rise in the costs of supplies, it may have an adverse effect on profitability. These factors have led to the adoption by Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the Chinese government to impose controls on credit and/or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our services and products.

The fluctuation of the Renminbi may have a material adverse effect on your investment.

The change in value of the Renminbi against the U.S. dollar and other currencies is affected by, various factors, such as changes in China's political and economic conditions and China's foreign exchange controls. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under such policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Later on, the People's Bank of China has decided to further implement the reform of the RMB exchange regime and to enhance the flexibility of RMB exchange rates. Such changes in policy have resulted in a significant appreciation of the Renminbi against the U.S. dollar since 2005. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant adjustment of the Renminbi against the U.S. dollar. Any significant appreciation or revaluation of the Renminbi may have a material adverse effect on the value of, and any dividends payable on, shares of our common stock in foreign currency terms. More specifically, if we decide to convert our Renminbi into U.S. dollars, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us. To the extent that we need to convert U.S. dollars we receive from our 2018 offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. In addition, appreciation or depreciation in the exchange rate of the Renminbi to the U.S. dollar could materially and adversely affect the price of shares of our common stock in U.S. dollars without giving effect to any underlying change in our business or results of operations.

Restrictions on currency exchange may limit our ability to receive and use our revenue effectively.

Substantially all of our revenue is denominated in Renminbi. As a result, restrictions on currency exchange may limit our ability to use revenue generated in Renminbi to fund any business activities we may have outside China in the future or to make dividend payments to our shareholders in U.S. dollars. Under current PRC laws and regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and dividend distributions. However, Renminbi is not freely convertible for direct investment or loans or investments in securities outside China, unless such use is approved by SAFE. For example, foreign exchange transactions under the subsidiary's capital account, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval requirement of SAFE. These limitations could affect our ability to convert Renminbi into foreign currency for capital expenditures. And the Chinese government is further strengthening the control of foreign exchange, we will not be able to change the Chinese government's decision in our own power.

The subsidiaries and affiliated entities in China are subject to restrictions on making dividends and other payments to us.

Datasea is a holding company and relies principally on dividends paid by its subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our shareholders to the extent we choose to do so, servicing any debt we may incur and paying our operating expenses. Tianjin Information's income in turn depends on the service fees paid by its affiliated entities, including the VIE, in China. Current PRC regulations permit the subsidiary in China to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, Tianjin Information may only distribute dividends after it has made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, if the subsidiaries or affiliated entities in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any such restrictions may materially affect such entities' ability to make dividends or make payments, in service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited as reference but have limited precedential value. Since 1979, newly introduced PRC laws and regulations have significantly enhanced the protections of interest relating to foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of such laws and regulations may not always be consistent, and enforcement of these laws. In different administrative areas and regulations involves significant uncertainties, any of which could limit the available legal protections. In addition, the PRC administrative and judicial authorities have significant discretion in interpreting, implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we may enjoy in the PRC than under some more developed legal systems. These uncertainties may affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, and may affect our ability to enforce our contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited legal actions or threats in an attempt to extract payments or benefits from us. Such uncertainties may therefore increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

The PRC's legal and judicial system under special circumstances may not adequately protect our business and operations and the rights of foreign investors.

The legal and judicial systems in the PRC are still rudimentary, and enforcement of existing laws is uncertain. As a result, it may be impossible to obtain swift and equitable enforcement of laws that do exist, Different administrative regions have different legal and judicial interpretations or to obtain enforcement of the judgment of one court by a court of another jurisdiction. The PRC's legal system is based on the civil law regime, that is, it is based on written statutes. A decision by one judge does not set a legal precedent that is required to be followed by judges in other cases. In addition, the interpretation of Chinese laws may be varied to reflect domestic political changes.

The promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may adversely affect foreign investors. There can be no assurance that a change in leadership, social or political disruption, or unforeseen circumstances affecting the PRC's political, economic or social life, will not affect the PRC government's ability to continue to support and pursue these reforms. Such a shift could have a material adverse effect on our business and prospects.

Certain PRC regulations, including the M&A Rules and national security regulations, may require a complicated review and approval process which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, the MOFCOM must be notified in the event a foreign investor takes control of a PRC domestic enterprise. In addition, certain acquisitions of domestic companies by offshore companies that are related to or affiliated with the same entities or individuals of the domestic companies, are subject to approval by the MOFCOM. In addition, the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by the MOFCOM in August 2011, require that mergers and acquisitions by foreign investors in "any industry with national security concerns" be subject to national security review by the MOFCOM. In addition, any activities attempting to circumvent such review process, including structuring the transaction through a proxy or contractual control arrangement, are strictly prohibited. There is significant uncertainty regarding the interpretation and implementation of these regulations relating to merger and acquisition activities in China. In addition, complying with these requirements could be time-consuming, and the required notification, review or approval process may materially delay or affect our ability to complete merger and acquisition transactions in China. As a result, our ability to seek growth through acquisitions may be materially and adversely affected. In addition, if the MOFCOM determines that we should have obtained its approval for our entry into contractual arrangements with the affiliated entities, we may be required to file for remedial approvals. There is no assurance that we would be able to obtain such approval from the MOFCOM. We may also be subject to administrative fines or penalties by the MOFCOM that may require us to limit our business operations in the PRC, delay or restrict the conversion and remittance of our funds in foreign currencies into the PRC or take other actions that could have material and adverse effect on our business, financial condition and results of operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to the PRC subsidiary and affiliated entities, which could harm our liquidity and our ability to fund and expand our business.

Datasea is a Delaware company conducting substantially all of its operations in China through its PRC subsidiaries, the VIE and its subsidiaries established in China. Datasea may make loans to the PRC subsidiaries and VIE entities subject to the approval from governmental authorities and limitation of amount, or may make additional capital contributions to subsidiaries and VIE entities in China.

Any loans to the subsidiaries or VIE entities in China are subject to foreign investment and are under PRC regulations and foreign exchange loan registrations. For example, loans by us to the wholly foreign-owned subsidiaries or VIE entities in China to finance their activities must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly use for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and does not violate with the negative list on foreign investment. However, since the SAFE Circular 28 is newly promulgated, it is unclear how SAFE and competent banks will carry this out in practice. In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis.

We must remit offering proceeds to China in a future securities issuance before they may be used to benefit our business in China, the process of which may be time-consuming, and we cannot assure that we can complete all necessary governmental registration processes in a timely manner.

The proceeds of a future offering may be remitted back to the PRC, and the process for wiring such proceeds back to the PRC may be time-consuming after the closing of a future offering. We may be unable to use these proceeds to grow our business until the PRC subsidiaries receive such proceeds in the PRC. Any transfer of funds by us to the PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration or filing with relevant governmental authorities in China. Any foreign loans procured by the PRC subsidiaries is required to be registered with China's State Administration of Foreign Exchange ("SAFE") or its local branches or satisfy relevant requirements, and the PRC subsidiaries may not procure loans which exceed the difference between their respective total project investment amount and registered capital or 2 times (which may be varied year by year due to the change of PRC's national macro-control policy) of the net worth of the PRC subsidiary. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to the PRC subsidiaries are subject to the approval of or filing with State Administration for Market Regulation in its local branches, the Ministry of Commerce in its local branches and registration with a local bank authorized by SAFE.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to the PRC subsidiary or with respect to future capital contributions by us to the PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund the PRC operations may be negatively affected, which could materially and adversely affect our liquidity, our ability to fund and expand our business and our securities.

A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC law.

SAFE has promulgated regulations, including the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (or SAFE Circular No. 37), effective on July 4, 2014, and its appendices, that require PRC residents, including PRC institutions and individuals, to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular No. 37 as a "special purpose vehicle." SAFE Circular No. 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

These regulations apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions or share transfers that we make in the future if our shares are issued to PRC residents. However, in practice, different local SAFE branches may have different views and procedures on the application and implementation of SAFE regulations, and since SAFE Circular No. 37 was relatively new, there remains uncertainty with respect to its implementation. As of the date of this report, all PRC residents known to us that currently hold direct or indirect interests in our company have completed the necessary registrations with SAFE as required by SAFE Circular 37. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with the requirements of SAFE Circular 37. However, we cannot assure you that these individuals or any other direct or indirect shareholders or beneficial owners of our company who are PRC residents will be able to successfully complete the registration or update the registration of their direct and indirect equity interest as required in the future. If they fail to make or update the registration, our shareholders could be subject to fines and legal penalties, and SAFE could restrict our cross-border investment activities and our foreign exchange activities, including restricting the PRC subsidiary's ability to distribute dividends to, or obtain loans denominated in foreign currencies from, our company, or prevent us from paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

We may be subject to fine due to our insufficient payment of the social insurance and housing fund of the employees.

Pursuant to the Social Insurance Law of the PRC, as amended on December 29, 2018,and the Regulation on the Administration of Housing Accumulation Funds, as amended on March 24, 2019, employers in China shall register with relevant social insurance agency and relevant housing provident fund management center and open special housing provident fund accounts for each of their employees, and pay contributions to the social insurance plan and the housing provident fund for their employees, such contribution amount payable shall be calculated based on the employee's actual salary in accordance with the relevant regulations. In case the employer failed to make sufficient payment of the social insurance, it may be subject to fine up to 3 times of the insufficient amount and pay late fees. If the employer failed to register with relevant housing provident fund management center or failed to open special housing provident fund accounts for the employees within the ordered time limit, a fine of not less than RMB10,000 nor more than RMB50,000 may be imposed. In addition, if the employer fails to pay sufficient contributions to housing provident fund as required, the housing provident fund management center shall order it to make the payment and deposit within a prescribed time limit; where the payment has not been made after the expiration of the time limit, the housing provident fund management center may request the people's court for compulsory enforcement. On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council jointly issued the Reform Plan on Tax Collection and Administration Systems for Local Offices of the State Administration of Taxation and Local Taxation Bureaus, according to which the collection and administration of social insurance will be transferred from the social insurance departments to competent tax authorities, and the supervision over the payment of social insurance will be significantly strengthened in the way that an enterprise must pay social insurance for its employees based on their overall salary at certain legally required rates. If we are fined due to insufficient payment of the social insurance and housing fund of the employees, our business operations could be materially and adversely affected.

You may face difficulties in protecting your interests and exercising your rights as a stockholder of ours since we conduct substantially all of our operations in China and all of our officers and directors reside in China.

We conduct substantially all of our operations in China through Shuhai Beijing, our consolidated VIE in China. All of our current officers and directors reside outside the United States and substantially all of the assets of those persons are located outside of the United States. Because of this, it may be difficult for you to conduct due diligence on our company, our executive officers or directors and attend stockholder meetings if the meetings are held in China. As a result, our public stockholders may have more difficulty in protecting their interests through actions against our management, directors or major stockholders than would stockholders of a corporation doing business entirely or predominantly within the United States.

You may experience difficulties in protecting your rights through the United States courts.

Currently, substantially all of our operations are conducted in China and substantially all of our assets are located in China. All of our officers are nationals or residents of the PRC and a substantial portion of their assets are located outside the United States. As a result, it may be difficult for a stockholder to effect service of process within the United States upon these persons, or to enforce judgments against us which are obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

In addition, it may be difficult or impossible for you to effect service of process within the United States upon us our directors and officers in the event that you believe that your rights have been violated under United States securities laws or otherwise. Even if you are successful in effecting service of process and bringing an action of this kind, the laws of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the PRC of judgments obtained in the United States.

Increases in labor costs in the PRC may adversely affect our business and our profitability.

The economy of China has been experiencing significant growth, leading to inflation and increased labor costs. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations.

Our auditor is headquartered in the United States and is subject to inspection by the PCAOB on a regular basis. To the extent that our independent registered public accounting firm's audit documentation related to their audit reports for our company become located in China, the PCAOB may not be able inspect such audit documentation and, as such, you may be deprived of the benefits of such inspection and our common stock could be delisted from the stock exchange pursuant to the Holding Foreign Companies Accountable Act and Accelerating Holding Foreign Companies Accountable Act.

Our independent registered public accounting firm issued an audit opinion on the financial statements included in this report filed with the SEC and will issue audit reports related to our company in the future. As auditors of companies that are traded publicly in the United States and a firm registered with the PCAOB, our auditor is required by the laws of the United States to undergo regular inspections by the PCAOB. However, to the extent that our auditor's work papers become located in China, such work papers will not be subject to inspection by the PCAOB because the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities. Inspections of certain other firms that the PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. On December 2, 2021, the Securities and Exchange Commission adopted amendments to finalize rules implementing the submission and disclosure requirements in the HFCAA. We are required by the HFCAA to have an auditor that is subject to the inspection by the PCAOB. Pursuant to the HFCAA, the PCAOB issued a Determination Report on December 16, 2021, which found that the PCAOB was unable to inspect or investigate completely certain named registered public accounting firms headquartered in mainland China and Hong Kong. Our independent registered public accounting firm is headquartered in the United States and has been inspected by the PCAOB on a regular basis and as such, it is not affected by or subject to the PCAOB's Determination Report. To the extent this status changes in the future and our auditor's audit documentation related to their audit reports for our company becomes outside of the inspection by the PCAOB, our common stock could be delisted from the stock exchange pursuant to the Holding Foreign Companies Accountable Act.

Our securities may be prohibited from trading on a national exchange or over-the-counter in the United States under the Holding Foreign Companies Accountable Act, if the PCAOB determines that it cannot inspect or fully investigate our auditors for two consecutive years. As a result, an exchange may determine to delist our securities.

In light of recent events indicating greater oversight by the CAC over data security, we may be subject to a variety of PRC laws and other obligations regarding cybersecurity and data protection, and any failure to comply with applicable laws and obligations could have a material adverse effect on our business and our securities.

Since 2021, the Chinese government has strengthened its anti-monopoly supervision, mainly in three aspects: (1) establishing the National Anti-Monopoly Bureau; (2) revising and promulgating anti-monopoly laws and regulations, including: the Anti-Monopoly Law (draft Amendment published on October 23, 2021 for public opinions), the anti-monopoly guidelines for various industries, and the detailed Rules for the Implementation of the Fair Competition Review System; and (3) expanding the anti-monopoly law enforcement targeting Internet companies and large enterprises. As of the date of this report, the Chinese government's recent statements and regulatory actions related to anti-monopoly concerns have not impacted our ability to conduct business, accept foreign investments, or list on a U.S. or other foreign exchange because neither the Company nor its PRC operating entities engage in monopolistic behaviors that are subject to these statements or regulatory actions.

On November 14, 2021, the Cyberspace Administration of China ("CAC") released the Regulations on the Network Data Security Management (Draft for Comments), or the Data Security Management Regulations Draft, to solicit public opinion and comments till December 13, 2021, which has not been promulgated as of the date of this report. Pursuant to the Data Security Management Regulations Draft, data processors holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad. Data processing activities refers to activities such as the collection, retention, use, processing, transmission, provision, disclosure, or deletion of data. According to the latest amended Cybersecurity Review Measures, which was promulgated on November 16, 2021 and became effective on February 15, 2022, an online platform operator holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad.

As of the date of this report, Datasea, its subsidiaries, the VIE and VIE's subsidiaries have not received any notice from any authorities requiring the PRC subsidiaries to go through cybersecurity review or network data security review by the CAC. Given that Datasea, its subsidiaries, the VIE and VIE's subsidiaries do not possess personal data of at least one million individual clients and do not collect data that affects or may affect national security in their business operations as of the date of this report and do not anticipate that they will be collecting over one million users' personal information or data that affects or may affect national security in the near future. There remains uncertainty, however, as to how the Cybersecurity Review Measures and the Security Administration Draft will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures and the Security Administration Draft. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review and network data security review in the future, which could materially and adversely affect our business, financial conditions, and results of operations.

Compliance with China's new Data Security Law, Measures on Cybersecurity Review (revised draft for public consultation), Personal Information Protection Law (second draft for consultation), regulations and guidelines relating to the multi-level protection scheme and any other future laws and regulations may entail significant expenses and could materially affect our business.

China has implemented or will implement rules and is considering a number of additional proposals relating to data protection. China's new Data Security Law promulgated by the Standing Committee of the National People's Congress of China in June 2021, or the Data Security Law, will take effect in September 2021. The Data Security Law provides that the data processing activities must be conducted based on "data classification and hierarchical protection system" for the purpose of data protection and prohibits entities in China from transferring data stored in China to foreign law enforcement agencies or judicial authorities without prior approval by the Chinese government. As the Data Security Law has not yet come into effect, we may need to make adjustments to our data processing practices to comply with this law.

Additionally, China's Cyber Security Law, requires companies to take certain organizational, technical and administrative measures and other necessary measures to ensure the security of their networks and data stored on their networks. Specifically, the Cyber Security Law provides that China adopt a multi-level protection scheme (MLPS), under which network operators are required to perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. Under the MLPS, entities operating information systems must have a thorough assessment of the risks and the conditions of their information and network systems to determine the level to which the entity's information and network systems belong-from the lowest Level 1 to the highest Level 5 pursuant to the Measures for the Graded Protection and the Guidelines for Grading of Classified Protection of Cyber Security. The grading result will determine the set of security protection obligations that entities must comply with. Entities classified as Level 2 or above should report the grade to the relevant government authority for examination and approval.

Recently, the Cyberspace Administration of China has taken action against several Chinese internet companies in connection with their initial public offerings on U.S. securities exchanges, for alleged national security risks and improper collection and use of the personal information of Chinese data subjects. According to the official announcement, the action was initiated based on the National Security Law, the Cyber Security Law and the Measures on Cybersecurity Review, which are aimed at "preventing national data security risks, maintaining national security and safeguarding public interests." On July 10, 2021, the Cyberspace Administration of China published a revised draft of the Measures on Cybersecurity Review, expanding the cybersecurity review to data processing operators in possession of personal information of over 1 million users if the operators intend to list their securities in a foreign country.

It is unclear at the present time how widespread the cybersecurity review requirement and the enforcement action will be and what effect they will have on the life sciences sector generally and the Company in particular. China's regulators may impose penalties for non-compliance ranging from fines or suspension of operations, and this could lead to us delisting from the U.S. stock market.

In addition, our securities may be prohibited from trading on a national exchange or over-the-counter in the United States under the Holding Foreign Companies Accountable Act, if the PCAOB determines that it cannot inspect or fully investigate our auditors for two consecutive years.

Also, on August 20, 2021, the National People's Congress passed the Personal Information Protection Law, which will be implemented on November 1, 2021. The law creates a comprehensive set of data privacy and protection requirements that apply to the processing of personal information and expands data protection compliance obligations to cover the processing of personal information of persons by organizations and individuals in China, and the processing of personal information of persons in China outside of China if such processing is for purposes of providing products and services to, or analyzing and evaluating the behavior of, persons in China. The law also proposes that critical information infrastructure operators and personal information processing entities who process personal information meeting a volume threshold to-be-set by Chinese cyberspace regulators are also required to store in China personal information generated or collected in China, and to pass a security assessment administered by Chinese cyberspace regulators for any export of such personal information. Lastly, the draft contains proposals for significant fines for serious violations of up to RMB 50 million or 5% of annual revenues from the prior year.

Interpretation, application and enforcement of these laws, rules and regulations evolve from time to time and their scope may continually change, through new legislation, amendments to existing legislation and changes in enforcement. Compliance with the Cyber Security Law and the Data Security Law could significantly increase the cost to us of providing our service offerings, require significant changes to our operations or even prevent us from providing certain service offerings in jurisdictions in which we currently operate or in which we may operate in the future. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices, offerings or platform could fail to meet all of the requirements imposed on us by the Cyber Security Law, the Data Security Law and/or related implementing regulations. Any failure on our part to comply with such law or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing counterparties from contracting with us or result in investigations, fines, suspension or other penalties by Chinese government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations. Even if our practices are not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition and results of operations. Moreover, the legal uncertainty created by the Data Security Law and the recent Chinese government actions could materially adversely affect our ability, on favorable terms, to raise capital, including engaging in follow-on offerings of our securities in the U.S. market.

On November 14, 2021, the Cyberspace Administration of China released the Regulations on the Network Data Security Management (Draft for Comments), or the Data Security Management Regulations Draft, to solicit public opinion and comments till December 13, 2021, which has not been promulgated as of the date of this report. Pursuant to the Data Security Management Regulations Draft, data processors holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad. Data processing activities refers to activities such as the collection, retention, use, processing, transmission, provision, disclosure, or deletion of data. According to the latest amended Cybersecurity Review Measures, which was promulgated on November 16, 2021 and became effective on February 15, 2022, an online platform operator holding more than one million users/users' individual information shall be subject to cybersecurity review before listing abroad.

As of the date of this report, Datasea, its subsidiaries and VIE entities have not received any notice from any authorities requiring the PRC subsidiaries to go through cybersecurity review or network data security review by the CAC. Given that the PRC subsidiaries do not possess personal data of at least one million individual clients and do not collect data that affects or may affect national security in their business operations as of the date of this report and do not anticipate that they will be collecting over one million users' personal information or data that affects or may affect national security in the near future. There remains uncertainty, however, as to how the Cybersecurity Review Measures and the Security Administration Draft will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures and the Security Administration Draft. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review and network data security review in the future, which could materially and adversely affect our business, financial conditions, and results of operations.

We may be subject to intellectual property infringement claims, which may force us to incur substantial legal expenses and, if determined adversely to us, materially disrupt our business.

Internet and technology companies are frequently involved in litigation based on allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and other violations of third-party rights. The validity, enforceability and scope of protection of intellectual property in Internet-related industries, particularly in China, are uncertain and still evolving. In addition, many parties are actively developing and seeking protection for Internet-related technologies, including seeking patent protection. There may be patents issued or pending that are held by others that cover significant aspects of our technologies, products, business methods or services. As we face increasing competition and as litigation becomes more common in China in resolving commercial disputes, we face a higher risk of being the subject of intellectual property infringement claims.

In particular, if we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property, may be ordered to pay damages or fines, and may incur licensing fees or be forced to develop alternatives. We may incur substantial expense in defending against third party infringement claims, regardless of their merit. Successful infringement claims against us may result in substantial monetary liability or may materially disrupt the conduct of our business by restricting or prohibiting our use of the intellectual property in question. Any intellectual property litigation could have a material adverse effect on our business, financial condition or results of operations.

Risks Relating to An Investment in Our Common Stock

If we fail to comply with the continued listing requirements of Nasdaq, we would face possible delisting, which would result in a limited public market for our shares and make obtaining future debt or equity financing more difficult for us.

On December 9, 2022, Datasea received a deficiency letter from the Listing Qualifications Department (the “Staff”) of the Nasdaq Stock Market (“Nasdaq”) notifying Datasea that, for the preceding 30 consecutive business days, Datasea’s Market Value of Listed Securities (“MVLS”) was below the $35 million minimum requirement for continued inclusion on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(2) (the “MVLS Requirement”). Therefore, in accordance with Nasdaq Listing Rule 5810(c)(3)(C) (the “Rule”), Datasea was provided 180 calendar days, or until June 7, 2023, to regain compliance with the MVLS Requirement. Subsequently, on June 8, 2023, Datasea received a letter from Nasdaq indicating that Datasea had not regained compliance with the Rule (the “Delisting Notice”), and that accordingly, its securities will be delisted from Nasdaq. Thus, unless Datasea requests an appeal of that determination pursuant to procedures set forth in the Nasdaq Listing Rule 5800 Series, trading of Datasea’s common stock will be suspended at the opening of business on June 20, 2023, and a Form 25-NSE will be filed with the SEC, which will remove Datasea’s securities from listing and registration on Nasdaq.

On June 14, 2023, Datasea requested an appeal of Nasdaq’s determination and a hearing before the Nasdaq Hearings Panel (the “Panel”). As stated in the Delisting Notice, a hearing request will stay the suspension of Datasea’s securities and the filing of the Form 25-NSE pending the Panel’s decision.

On August 3, 2023, Datasea appeared before a Nasdaq hearing panel and requested for additional time to regain compliance with the MVLS Requirement. On August 11, 2023, Nasdaq issued a letter to the Company, granting an extension to regain compliance with the MVLS Requirement by October 2, 2023, or otherwise Datasea’s common stock will be delisted from Nasdaq. The Company intends to monitor the market value of the Company’s listed securities and may, if appropriate, consider available options to regain compliance with the MVLS Requirement.

On August 7, 2023, Datasea received a deficiency letter (the “Notice”) from the Listing Qualifications Department of the Nasdaq Stock Market notifying the Company, that based upon the closing bid price of the Company’s common stock for the last 30 consecutive business days, the Company is not currently in compliance with the requirement to maintain a minimum bid price of $1.00 per share for continued listing on the Nasdaq Capital Market, as set forth in Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Requirement”).

The Notice has no immediate effect on the continued listing status of the Company’s common stock on the Nasdaq Capital Market, and, therefore, the Company’s listing remains fully effective.

However, the Company is provided a compliance period of 180 calendar days from the date of the Notice, or until February 5, 2024, to regain compliance with Nasdaq Listing Rule 5550(a)(2). If at any time before February 5, 2024, the closing bid price of the Company’s common stock closes at or above $1.00 per share for a minimum of 10 consecutive business days, subject to Nasdaq’s discretion to extend this period pursuant to Nasdaq Listing Rule 5810(c)(3)(G), Nasdaq will provide written notification that the Company has achieved compliance with the Minimum Bid Requirement, and the matter would be resolved.

If the Company does not regain compliance with the Minimum Bid Requirement during the initial 180 calendar day period, the Company may be eligible for an additional 180 calendar day compliance period. To qualify, the Company would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the Minimum Bid Requirement, and would need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary.

The Company intends to actively monitor the closing bid price of its common stock and will evaluate available options to regain compliance with the Minimum Bid Requirement. However, there can be no assurance that the Company will regain compliance with the Minimum Bid Requirement during the 180-day compliance period, secure a second period of 180 days to regain compliance or maintain compliance with the other Nasdaq listing requirements.

If Datasea fails to regain compliance with Nasdaq's listing rules, it could be subject to suspension and delisting proceedings. If Datasea's securities lose their status on The Nasdaq Capital Market, Datasea's securities would likely trade in the over-the-counter market. If Datasea's securities were to trade on the over-the-counter market, selling Datasea's securities could be more difficult because smaller quantities of securities would likely be bought and sold, transactions could be delayed, and security analysts' coverage of Datasea may be reduced. In addition, in the event Datasea's securities are delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in Datasea's securities, further limiting the liquidity of such securities. A determination that our common stock is a "penny stock" will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common stock. These factors could result in lower prices and larger spreads in the bid and ask prices for Datasea's securities. Such delisting from The Nasdaq Capital Market and continued or further declines in Datasea's share price could also greatly impair our ability to raise additional necessary capital through equity or debt financing, and could significantly increase the ownership dilution to stockholders caused by our issuing equity in financing or other transactions.

Our majority stockholders will control our Company for the foreseeable future, including the outcome of matters requiring shareholder approval.

Our officers and directors collectively hold approximately 50.4% beneficial ownership of our Company. Two directors are members of the same family. As a result, such individuals will have the ability, acting together, to control the election of our directors and the outcome of corporate actions requiring shareholder approval, such as: (i) a merger or a sale of our Company, (ii) a sale of all or substantially all of our assets, and (iii) amendments to our articles of incorporation and bylaws. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other shareholders and be disadvantageous to our shareholders with interests different from those individuals. These individuals also have significant control over our business, policies and affairs as officers and directors of our Company. Therefore, you should not invest in reliance on your ability to have any control over our Company.

An active and visible trading market for our common stock may not develop.

We cannot predict whether an active market for our common stock will develop in the future. In the absence of an active trading market:

- Investors may have difficulty buying and selling or obtaining market quotations;
- Market visibility for our common stock may be limited; and
- A lack of visibility for our common stock may have a depressive effect on the market price for our common stock.

The trading price of our common stock is subject to significant fluctuations in response to variations in quarterly operating results, changes in analysts' earnings estimates, announcements of innovations by us or our competitors, general conditions in the industry in which we operate and other factors. These fluctuations, as well as general economic and market conditions, may have a material or adverse effect on the market price of our common stock.

The market price for our common stock may be volatile.

The market price for our common stock may be volatile and subject to wide fluctuations due to factors such as:

- the perception of U.S. investors and regulators of U.S. listed Chinese companies;
- actual or anticipated fluctuations in our quarterly operating results;
- changes in financial estimates by securities research analysts;

- negative publicity, studies or reports;
- conditions in Chinese and global cybersecurity product markets;
- our capability to match and compete with technology innovations in the industry;
- changes in the economic performance or market valuations of other companies in the same industry;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- fluctuations of exchange rates between RMB and the U.S. dollar; and
- general economic or political conditions in or impacting China.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

Our common stock is thinly traded and you may be unable to sell at or near ask prices or at all if you need to sell your shares to raise money or otherwise desire to liquidate your shares.

Our common stock is "thinly-traded," meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. This situation may be attributable to a number of factors, including the fact that we are relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and might be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares until such time as we became more seasoned. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. Broad or active public trading market for our common stock may not develop or be sustained.

Our common stock may be considered a "penny stock," and thereby be subject to additional sale and trading regulations that may make it more difficult to sell.

Our common stock may be considered to be a "penny stock" if it does not qualify for one of the exemptions from the definition of "penny stock" under Section 3a51-1 of the Exchange Act, as amended. Our common stock may be a "penny stock" if it meets one or more of the following conditions: (i) the stock trades at a price less than $5.00 per share; (ii) it is NOT traded on a "recognized" national exchange; (iii) it is not quoted on the NASDAQ Capital Market, or even if so, has a price less than $5.00 per share; or (iv) is issued by a company that has been in business less than three years with net tangible assets less than $5 million. The principal result or effect of being designated a "penny stock" is that securities broker-dealers participating in sales of our common stock will be subject to the "penny stock" regulations set forth in Rules 15-2 through 15g-9 promulgated under the Exchange Act. For example, Rule 15g-2 requires broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document at least two business days before effecting any transaction in a penny stock for the investor's account. Moreover, Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to: (i) obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult and time consuming for holders of our common stock to resell their shares to third parties or to otherwise dispose of them in the market or otherwise.

FINRA sales practice requirements may also limit your ability to buy and sell shares of our common stock, which could depress the price of shares of our common stock.

FINRA rules require broker-dealers to have reasonable grounds for believing that an investment is suitable for a customer before recommending that investment to the customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status and investment objectives, among other things. Under interpretations of these rules, FINRA believes that there is a high probability such speculative low-priced securities will not be suitable for at least some customers. Thus, FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell shares of our common stock, have an adverse effect on the market for shares of our common stock, and thereby depress price of our common stock.

Potential future sales under Rule 144 may depress the market price for our common stock.

In general, under Rule 144, a person who has satisfied a minimum holding period of between six months to one-year, as well as meeting any other applicable requirements of Rule 144, may thereafter sell such shares publicly. Therefore, the possible sale of unregistered shares may, in the future, have a depressive effect on the price of our common stock in the over-the-counter market.

Volatility in our common stock price may subject us to securities litigation.

The market for our common stock may have, when compared to seasoned issuers, significant price volatility and we expect that our share price may continue to be more volatile than that of a seasoned issuer for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against a company following periods of volatility in the market price of its securities. We may, in the future, be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management's attention and resources.

We are not likely to pay cash dividends in the foreseeable future.

We currently intend to retain any future earnings for use in the operation and expansion of our business. Accordingly, we do not expect to pay any cash dividends in the foreseeable future, but will review this policy as circumstances dictate. Should we determine to pay dividends in the future, our ability to do so will depend upon the receipt of dividends or other payments from Shuhai Beijing. Shuhai Beijing may, from time to time, be subject to restrictions on its ability to make distributions to us, including restrictions on the conversion of RMB into U.S. dollars or other hard currency and other regulatory restrictions.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 1C. Cybersecurity.

Our cybersecurity measure is primarily focused on ensuring the security and protection of computer systems and networks. All pertinent domestic operating entities of the Company shall adhere to a standardized Company Confidentiality System, which shall be centrally overseen and enforced by Shuhai Beijing, subject to oversight by our management and Board of Directors. This Company Confidentiality System shall include specific provisions for information pertaining to network security, data security, and information that, if disclosed, could have detrimental effects on the public interest and the Company. We plan to establish an appropriate confidentiality framework and adhere to relevant document management regulations. The Company and its employees are also required to sign confidentiality agreements for purposes including ensuring cybersecurity. As of the date of this report, we are not aware of any material risks from cybersecurity threats, that have materially affected or are reasonably likely to materially affect the Company, including our business strategy, results of operations, or financial condition.

Item 2. Description of Property.

We currently do not own any real estate or land use rights. We lease office space of approximately 2,007.46 square meters from Beijing Kaipeng Technology Co., Ltd. for our headquarters in Beijing under a lease agreement. Our monthly rent is approximately $33,100 (RMB225,922.89). The lease agreement expired on October 7, 2022, we received a six-month rent free (two months for each year) discount.

On October 8, 2022, Tianjin Information Sea Information Technology Co.Ltd. signed a lease contract with Beijing Kaipeng Technology Development Co., LTD. The lease area is 566.04 square meters, and the lease period is from October 8, 2022 to November 07, 2023. The monthly rent is RMB 63,703 (US $9,179). On February 8, 2023, Shuhai Information Technology Co.Ltd. signed a lease contract with Beijing Kaipeng Technology Development Co., Ltd. for a leased area of 391.06 square meters at a monthly rent of RMB 44,011.00 (US $6,342). The lease period is from 8 February 2023 to 7 November 2023.

We also lease a small office in Harbin for Harbin Information's operation under a lease that expires on April 30, 2020, as amended on May 1, 2019. We pay an annual rent of approximately $2,930 for this space. This lease agreement was renewed for one year on May 1, 2020 and l expired April 30, 2021, with an annual rent at approximately $10,665.68.

Due to the business expansion of the Company, a new office was rented on October 1, 2019 to support operation of Heilongjiang Xungrui Technology Co., Ltd. The lease term is from October 1, 2019 to September 30, 2021 and the annual rent is approximately $23,293.85. The agreement was renewed for 7 months from October 1, 2021 to April 30, 2022 and monthly rental is RMB13,500 (US $2,090.72), and the total rent is RMB94,500 (US $14,635.05). Then the agreement was renewed again from May 1, 2022 to April 30, 2023, the monthly rental is RMB19,642.5 (US $3,042) and the annual rental is RMB235,710 (US $36,504). Heilongjiang Xungrui renewed the lease agreement, the lease term is one year, the lease area is 218.25 square meters.the agreement was renewed from May 1, 2023 to April 30, 2024, the monthly rental is RMB23,571 (US $3,396) and the annual rental is RMB282,852 (US $40,756).We believe the rented space is sufficient for our current operations.

Tianjin Information Sea Information Technology Co., Ltd. signed a lease contract with Shenzhen Lvjing Real Estate Development Co., Ltd. on August 11, 2020. The building covers an area of 395.15 square meters and will be leased from August 8, 2020 to August 7, 2023 with a three months and ten days' rent-free period. The monthly rent is approximately $29,851.22 (RMB 20,9910.80). The rental will be increased by 3% per year from the second year on the basis of the previous year's rental standard.

On August 7, 2023, Tianjin Information Sea Information Technology Co., Ltd. and Shenzhen Lvjing Real Estate Development Co., Ltd. terminated the lease agreement.

Shuhai Jingwei (Shenzhen) Information Technology Co., Ltd. signed a lease contract with Shenzhen Hongfa real estate development Co., LTD. on August 15, 2023. The building covers an area of 321.87 square meters and will be leased from August 15, 2023 to August14, 2024 with a one months rent-free period. The monthly rent is approximately $6,493.05 (RMB 45,061.80).

Tianjin Information Sea Information Technology Co., Ltd. signed a house lease contract with Hangzhou Zhexin Information Technology Co., Ltd. on August 26, 2020. The house is located at Room 902-910, No.2 West Building, Xixi Yintai Commercial Center, Xihu District, Hangzhou, with a construction area of 1149 square meters. The lease term starts from September 11, 2020 to October 5, 2022, with a 25-day rent-free period. The rental for the first year rental is RMB 3.3/m^2 / day, and the total rental is RMB 1,383,970.50, equivalent to $207,000. The rental for the second year is RMB 3.4 yuan/m^2 / day, with a total rental of RMB1,425,909, equivalent to $202,777.20. The house security deposit is RMB 115,311.

On January 14, 2021, Tianjin Information Sea Information Technology Co., Ltd./Hangzhou Zhexin Information Technology Co., Ltd. And Hangzhou Zhangxun Information Technology Co., LTD signed a tripartite agreement and agreed that all rights and obligations of Tianjin Information Sea Information Technology Co., Ltd under original contract was assigned to Hangzhou Zhangxun Information Technology Co., LTD. The cost of the rental place to produce it, Including but not limited to rent, water, electricity, and property fees are all paid by Hangzhou Zhangxun Information Technology Co., LTD.

On September 12, 2022, Hangzhou Zhangxun Information Technology Co., LTD and Hangzhou Zhexin Information Technology Co., Ltd. changed the house lease contract. The lease area is 1,066 square meters. The lease term is from October 6, 2022 to October 5, 2023, and the monthly rent is RMB 98,205.25 (US $14,150). The annual rent is RMB1,178,463 (US $169,807.35).

On December 2, 2022, Hangzhou Zhangxun Information Technology Co., LTD and Hangzhou Zhexin Information Technology Co., Ltd. changed the house lease contract again, the lease area is 83 square meters, the lease term is from January 1, 2023 to October 5, 2023, a total of 278 days, the rent is 3.3 yuan/square meter/day. The total rental cost is RMB 76,144.20 (US $10,971.78).

Due to changes in office requirements, the above two lease agreements were terminated with Hangzhou Zhexin Information Technology Co., LTD on May 5, 2023.

On April 29, 2023, Guohao Century (Beijing) Technology Co., Ltd.signed a lease contract with Hangzhou Lanxin Real Estate Co., LTD. The lease area is 279.43 square meters, the lease period is from May 10, 2023 to May 9, 2025, and the monthly rent is RMB 15,908.88 (US $2,292).

In August 2019, we moved our headquarters from 1 Xinghuo Rd. Changning Building, Suite 11D2E, Fengtai District, Beijing, China, to 20th Floor, Tower B, Guorui Plaza, 1 Ronghua South Road, Technological Development Zone, Beijing, PRC.

Item 3. Legal Proceedings.

Neither we nor our subsidiaries are a party to any material pending legal proceedings. However, from time to time, we and our subsidiaries may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business and an adverse result in these or other matters may arise from time to time that may harm our business. No director, officer or affiliate of the Company, and no owner of record or beneficial owner of more than 5.0% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company with reference to pending litigation.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock started trading on the NASDAQ Capital Market under the symbol "DTSS" in 2018. Based on the records of our transfer agent, we had 32,784,133 shares of common stock issued and outstanding as of September 20, 2023. We have not made any repurchases of the equity securities of Datasea for the period covered by this report.

Holder

We had 102 holders of record of our common stock as of September 20, 2023.

Dividends

We do not anticipate paying dividends on our common stock at any time in the foreseeable future. We currently plan to retain earnings, if any, for the development and expansion of our business. Any future determination as to the payment of dividends will be at the discretion of our Board of Directors and will depend on a number of factors including future earnings, capital requirements, financial conditions and such other factors as our Board of Directors may deem relevant.

In addition, due to various restrictions under PRC laws on the distribution of dividends by WFOE, we may not be able to pay dividends to our shareholders. The Wholly-Foreign Owned Enterprise Law (1986), as amended, and the Wholly-Foreign Owned Enterprise Law Implementing Rules (1990), as amended, and the Company Law of the PRC (2006), contain the principal regulations governing dividend distributions by wholly foreign owned enterprises. Under these regulations, wholly foreign owned enterprises may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. Additionally, such companies are required to set aside a certain amount of their accumulated profits each year, if any, to fund certain reserve funds until such time as the accumulated reserve funds reach and remain above 50% of the registered capital amount. These reserves are not distributable as cash dividends except in the event of liquidation and cannot be used for working capital purposes. Furthermore, if our subsidiaries and affiliates in China incur debt on their own in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments. If we or our subsidiaries and affiliates are unable to receive all of the revenues from our operations through the current contractual arrangements, we may be unable to pay dividends on our common stock.

Securities Authorized for Issuance under Equity Compensation Plan

On August 22, 2018, our Board of Directors and stockholders adopted the 2018 Equity Incentive Plan, or the 2018 Plan, to award up to a maximum of 4,000,000 shares of our common stock, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Subsequently, the Company filed a registration statement on Form S-8 to register the shares underlying the 2018 Plan.

On April 28, 2022, the stockholders of the Company approved an amendment to the Company's 2018 Plan at to increase the number of shares of the Company's common stock reserved for issuance under the 2018 Equity Incentive Plan from 14,000,000 shares of common stock to 24,000,000 shares of common stock.

On June 20, 2023, the stockholders of the Company approved a further amendment to the 2018 Plan to increase the number of shares of the Company's common stock reserved for issuance under the 2018 Equity Incentive Plan from 14,000,000 shares of common stock to 24,000,000 shares of common stock.

The following table provides certain information with respect to all of our compensation plans in effect as of June 30, 2023:

Plan Category	(A) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(B) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column(A))
Equity Compensation Plans approved by stockholders		$ 6.00	101,500
Equity Compensation Plans not approved by stockholders	—	—	—
Total		$	

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue, or other financial items; any statements of the plans, strategies, and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions of performance; and statements of belief; and any statements of assumptions underlying any of the foregoing. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "intend," "might," "will," "should," "could," "would," "expect," "believe," "anticipate," "estimate," "predict," "potential," or the negative of these terms. These terms and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this report are based upon management's current expectations, which it believes are reasonable. However, we cannot assess the impact of each factor on our business or the extent to which any factor or combination of factors, or factors we are aware of, may cause actual results to differ materially from those contained in any forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statements. These statements represent our estimates and assumptions only as of the date of this report. Except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

You should be aware that our actual results could differ materially from those contained in the forward-looking statements due to several factors, including:

- uncertainties relating to our ability to establish and operate our business and generate revenue;
- uncertainties relating to general economic, political, and business conditions in China;
- industry trends and changes in demand for our products and services;
- uncertainties relating to customer plans and commitments and the timing of orders received from customers;
- announcements or changes in our advertising model and related pricing policies or that of our competitors;
- unanticipated delays in the development, market acceptance, or installation of our products and services;
- changes in Chinese government regulations;
- availability, terms and deployment of capital, relationships with third-party equipment suppliers; and

Overview

Company Structure

Datasea Inc. is a global technology company incorporated in Nevada USA on September 26, 2014, with subsidiaries and operating entities located in Delaware and China, that provides intelligent acoustics (including ultrasound, infrasound, directional sound, and Schumann resonance), 5G messaging and other products and services to various corporate and individual customers. The acoustic business offers a wide range of cutting-edge products including high-quality sonic air disinfection solutions, skin repair and beauty solutions, as well as sleep-aid devices. Our products find extensive applications across various industries and sectors, including sonic antivirus, sonic beauty, sonic medical treatments, and sonic agriculture. Datasea's common stock currently listed on the Nasdaq Capital Market are shares of our Nevada holding company that maintains service agreements with the associated operating companies which instead enable us to consolidate the financial results of the VIE and its subsidiaries with Datasea's corporate group under U.S. GAAP, making Datasea the primary beneficiary of the VIE for accounting purposes. For a description of our corporate structure and contractual arrangements, see "Our Organizational Structure" on page 22 and "VIE Agreements" on page 4.

Datasea is not a Chinese operating company but a Nevada-based holding company with its Delaware subsidiary, Datasea Acoustics LLC, serving as our U.S.-based international business platform. Additionally, through the Company's subsidiary in China, Tianjin Information Sea Information Technology Co., Ltd ("Shuhai Tianjin") and the VIE, Shuhai Information Technology Co., Ltd. ("Shuhai Beijing"), we carry out business activities in China, along with its subsidiary entities. Shuhai Beijing possesses cutting-edge products and solutions in intelligent acoustics and 5G messaging applications to support a wide range of commercial enterprises, households and individuals in China.

Internationalization has always been a crucial strategy for the Company. Datasea incorporated a wholly-owned subsidiary, Datasea Acoustics LLC, based in the State of Delaware, USA. Datasea Acoustics LLC, established on July 31, 2023, represents our strategy of targeting the global market, including the U.S. market, and provides "intelligent acoustics" technology and products, which is a transformative blend of acoustics and artificial intelligence. The launch of Datasea Acoustics LLC in the U.S. serves a dual purpose: it solidifies Datasea's commitment to the field of Intelligent Acoustics and emphasizes the Company's plan to introduce cutting-edge antivirus acoustic solutions to the U.S. market. Datasea Acoustics LLC will begin to provide leading and high-quality ultrasonic air sterilizers, bathroom and cloakroom sterilizers and odor removal products, as well as continuous new products including ultrasonic Skin Repair Robots and Schumann frequency sleep monitors to the global market, mainly the U.S. market, catering to a broad and growing global consumer base.

Technology and Innovation

Datasea is the global initiator, promoter and practitioner of the concept of acoustic intelligence. Our commitment to technological advancement and global reach positions us 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 and communities worldwide. The research and development of intelligent acoustics technology plays a vital role for the Company and is what makes us different. The Company has non-visual intelligent algorithms and techniques, intelligent acoustics technologies such as ultrasound and directional sound, and 5G messaging related technology. Combined with artificial intelligence (AI), machine learning and data analytics, our Acoustics and 5G intelligent products and solutions are able to serve more than 48.42 million enterprises of all types (over 99% are SMEs) and households in China.

As of the date of this report, Shuhai Beijing and its subsidiaries own 27 Patents and 106 Software Copyrights in the PRC, which include 10 pending patent applications in core technologies, to empower and grow the business. In addition, the U.S. subsidiary, Datasea Acoustics, is actively acquiring U.S. patents, as well as international patents, and collaborating with U.S. universities and world-renowned research institutions.

The Company holds an outstanding position in the field of acoustics, particularly in the areas such as ultrasound, infrasound, and directional sound. To promote research and innovation in these areas, the Company actively collaborates with several prominent research institutions and universities, including Chinese Academy of Sciences Institute of Acoustics, China Academy of Information and Communications Technology Cloud Computing and Big Data Research Institute, Tsinghua University Internet Industry Research Institute, Harbin Institute of Technology Artificial Intelligence Research Institute, Beijing Union University, and Jilin University Remote Sensing Research Institute. The Company, together with these partners, is dedicated to conducting research on new topics and developing novel technology applications to drive advancements in the field of acoustics. To better achieve this goal, the Company collaborated for seven joint laboratories to enhance the integration and collaboration of research resources. These collaborations and the establishment of these laboratories further solidify the Company's leading position in the field of acoustics, providing a strong foundation for future innovations and development.

Additionally, the Company, together with MIIT, Key Laboratory of Artificial Intelligence Key Technology and Application Evaluation and Informatization, CAICT Cloud Computing & Big Data Research Institute, released China's inaugural white paper on the acoustic intelligence industry. The paper shares compelling analysis and fact findings on intelligent acoustics technology, the commercialization of the technology, and the industry outlook. The white paper discussed the applications of the acoustic intelligence on an industry level, demonstrated the expectation for Datasea to lead the initiatives and highlighted the Company's industry position in the field of acoustics.

Operational goals

The primary operational goals are: (i) Revenue Growth: drive revenue growth through strategies such as expanding the sales team and distribution channels and network, exploring new domestic and U.S. markets, and providing value-added services; (ii) Technological Innovation: continuously improve the technological level of the ultrasonic antivirus series products and services, as well as prospectively introduce the ultrasonic skin repair and AI diagnosis, Schumann frequency sleep monitors and other acoustic technologies in multiple fields of health to meet global market demand and maintain competitive advantage; (iii) Customer Satisfaction: provide customers with high-quality acoustic products and excellent services to promote customer retention and positive reputation; (iv) International Expansion: continue international expansion with a focus on U.S. market based on U.S. subsidiary's operation, M&A and cross-cultural management; (v) Partnerships and Collaborations: foster partnerships, including collaborations with suppliers, partners, and research institutions; (vi) Risk Management: vigilantly identify, assess, and manage various risks, including market, legal, and supply chain risks; (vii) Shareholder Returns: generate healthy cash flow and returns for shareholders.

CEO's Review:

Datasea achieved a number of new milestones in this fiscal year, while our net sales decreased to $7,045,311. The decline was partially due to the negative impact of the coronavirus pandemic. The COVID-19 pandemic has adversely disrupted the supply chain and negatively impacted the timing of the production and marketing of our ultrasonic products due to quarantines, facility closures, and travel and logistics restrictions related to the outbreak. During the epidemic, the demand for our 5G messaging business has also decreased due to the restrictions on the travel.

The decline of our net sales was also partially due to our strategic restructuring of our business lines. Datasea initially also carried out businesses in the Smart City sector and developed underlying platforms based on Internet of Things and Artificial Intelligence algorithm to provide smart city solutions such as smart campus, smart community, smart scenic sites. However, in recent years, there has been vicious competition in this industry, such as fighting for market share through massive losses, serious homogeneous competition, and unhealthy and disorderly market development. This is contrary to the strategy and values of our company: we adopt the differentiation strategy as well as strive for healthy and sustainable growth. We believe this strategic restructuring reflects our forward-looking vision and correct values.

Despite these, I am pleased with our performance, including the continuous improvement of technology and research and development capabilities, a wide range of acoustic product portfolio, the establishment of multiple marketing and sales channels and the cooperation of domestic and international leading technology laboratories. A more important measure of our success than short-term revenue is the establishment of Acoustic Intelligence as the core of our company's strategy. Datasea is the global initiator, promoter and practitioner of the concept of acoustic intelligence, which sits on the integration of the acoustics and artificial intelligence. We will strive to make achievements in three promising domains such as ultrasound, Schumann resonance technology and directional sound.

Internationalization has always been a crucial strategy for us. Datasea established a wholly-owned subsidiary, Datasea Acoustics LLC, based in the State of Delaware, USA, which is a critical milestone of our company. We will introduce cutting-edge antiviral acoustic solutions to the U.S. market and even the international market and also launch new products such as ultrasonic Skin Repair Robot and Schumann frequency sleep monitors to meet the ever-increasing demands of the global market. Additionally, we can expand our product and service portfolio by engaging in cross-border mergers and acquisitions or forming international joint ventures to meet evolving market demands worldwide. Identifying companies that are related to or complementary to our current intelligent acoustics businesses can help us rapidly expand our business and market scale globally.

We continue to bring in additional investors to support our company's research and development, marketing and operations. On August 15, 2023, Datasea entered into a subscription agreement with a non-U.S. investor to purchase an aggregate of 2,962,963 shares of common stock price at a $1.35 per share purchase price, with a total subscription price of $4,000,000. The shares must be held for a period of 180 days. The investor shall pay the amount of $714,286 to our company, which has been received by our Company. On September 13, 2023, our Company announced the closing of an underwritten public offering of 5,000,000 shares of common stock at a public offering price of $0.40 per share, for aggregate gross proceeds of approximately $1.635 million, after deducting underwriting discounts and other offering expenses. In addition, our Company has granted the underwriter a 45-day option to purchase up to an additional 750,000 shares of common stock at the public offering price per share. On September 21, 2023, our Company closed a new round of private financing, raising RMB40,000,000 at a price of $1.20 per share, and investors must hold their shares for 365 days. We believe these and future funding demonstrate our investors' confidence on our strategy and business.

Despite our progress, it is important to emphasize the significant uncertainty associated with each intermediate stage. As our business progresses to the next stages, this variance is expected to decrease, but in the short term, the uncertainties and risks are not neglected. Our international strategy and extensive project portfolio will continue to be our most important means of reducing these risks.

Business Strategy

The Company's business strategy includes striving to provide high-quality products to customers, expanding our footprint in new markets, including the United States and existing markets, and enhancing our branding and market demand through further innovation. The Company provides products to end users through both direct sales and distributors.

International Business Expansion: As of the reporting period, Datasea has already established a subsidiary in the United States (Datasea Acoustics LLC) to expand its operations in international markets. The focus of this strategy is leveraging the United States as a global business hub with its geographical location and resources to further grow Datasea's international market share. This can be achieved through partnerships with local businesses, marketing expansion, and right collaborations.

Technological Innovation: Datasea continues to invest in research and development (R&D) to maintain a leading position in the fields of intelligent acoustics and 5G messaging. This includes continuously improving existing sonic sterilization and deodorization products, developing new applications, products and solutions regarding ultrasound, directional sound, and Schumann resonance, and staying responsive to the growing needs of global customers and the market.

Technology Collaboration: Datasea can foster collaborations with renowned U.S. universities and research institutions through its U.S. subsidiary. By partnering with these institutions, the Company can engage in joint research and development initiatives to create and adopt cutting-edge intelligent acoustics technologies. This collaborative approach helps Datasea maintain its technological leadership and obtain technical capabilities and reserves in relevant fields.

U.S. Patent Acquisition and Technology Protection: Datasea prioritizes the acquisition of U.S. patents to protect its innovations and intellectual property. Rapidly securing U.S. patents for its technologies is essential to maintain its competitive advantage and defend against potential infringement. This proactive approach in patent acquisition will ensure that Datasea's intellectual property remains protected in the U.S. market and provide opportunities for licensing and monetization.

These strategies will further strengthen Datasea's position in the global market, consolidate its innovation capacity and protect its intellectual property assets.

Mergers and Acquisitions (M&A) and Joint Ventures: Datasea can expand its products and services portfolio by engaging in mergers and acquisitions or forming joint ventures to meet the growing market demands. Identifying companies that are related to or complementary to the Company's existing domains of expertise can help Datasea rapidly expand its business and market scale. For example, through M&A and collaborations, Datasea can further strengthen its foundation, market depth, and brand localization in the intelligent acoustics industry in the U.S. market.

Contracts and Collaborations: Datasea can actively seek long-term contracts and collaborations with domestic and international customers, partners, and major corporate clients. These collaborations can encompass product sales, technical cooperation, and joint research and development, helping to stabilize revenue and expand market share.

Compensation and Incentives: In recognition of the contributions made to the Company's growth by its directors, executives, employees, consultants, and other external partners, the Company has established a multi-layered compensation and incentive system. This includes incentives such as stock options for a publicly traded company (S-8) and equity holdings in core business subsidiaries. To date, the Company has consistently issued relevant stocks to directors, executives, employees, and external consultants as part of its stock incentive program. Looking ahead, the Company plans to extend stock incentive initiatives to even more individuals who contribute significantly to the Company, further encouraging and ensuring active contributions from talents within the organization.

Sustainable Growth: The Company can adopt a sustainable approach to ensure long-term success. This involves focusing on Environmental, Social, and Governance (ESG) issues, ensuring that the Company's operations align with global best practices, and providing sustainable solutions to meet demands of the customers.

Market diversification: In the domestic market, Datasea can continue to provide intelligent acoustics and 5G messaging products to various end users, such as corporate customers and household users, to ensure market diversification. In the international market, Datasea precisely targets U.S. households and large corporate customers including hospitals, hotels, and schools with leading and high-quality ultrasonic air sterilization, bathroom and cloakroom sterilization and odor removal products, helping to diversify risks and provide broader growth opportunities.

Regulatory Compliance: When expanding into international markets, the Company needs to closely adhere to regulations and laws in various countries and regions. Ensuring compliance is crucial for the long-term success.

In summary, Datasea can pursue its business strategy through international business expansion, technological innovation, contracts and collaborations, and a sustainable growth approach. This will help ensure that the Company gains a competitive advantage in global markets and creates sustainable value for its shareholders.

Our Business Summary

We deeply understand that the market needs new application areas, new technologies, and new requirements. Therefore, through the relentless efforts of our team, we transitioned from visual algorithms to non-visual algorithms with acoustics as the core and made significant breakthroughs in the field of acoustics, including ultrasound, infrasound, and directional sound.

Acoustic intelligence is a new field that integrates fundamental acoustic theory with artificial intelligence to gather and process acoustic data and solve problems. Datasea leverages cutting-edge technologies in the realm of intelligent acoustics, especially harnessing the power of ultrasonic sterilization to combat viruses and prevent human infections. This technology capitalizes on the mechanical, thermal, and cavitation effects of ultrasound. When stimulated by ultrasound, microorganisms, including the coronavirus, undergo significant vibration strains, disrupting the virus's outer shell and internal RNA. The rapid movement of protons in the ultrasound eventually devastates microbial structures, annihilating harmful pathogens.

Leveraging Datasea's cutting-edge intelligent acoustics technology together with AI technology,we successfully developed a series of ultrasonic disinfection products named the "Hailijia" series air sterilizer products. This lineup includes solutions tailored for in-door, in-vehicle sterilization and deodorization, restroom and cloakroom purification and deodorization, comprehensive air disinfection, and specialized sterilization suitable for environments such as hospitals, airports, hotels, transportation and residential settings. We started to launch those new products in the China market in the year of 2023. Leading labs such as the Wuhan Institute of Virology have proven this ultrasonic disinfection technology to have 99.83% efficacy in nine seconds against Covid-19 and 99.99% efficacy against Staphylococcus Albus and E-col. Meanwhile, this strategic shift and process are aimed at offering people more effective solutions for purifying their environments and healthier lifestyles for people not only in China, but also the United States and globally, particularly in the post-pandemic era when people have raised higher demands for protection and quality of life.

Additionally, the Company makes innovations in Schumann frequency, directional sound and others, launching ultrasonic Skin Repair with AI diagnosis and Schumann frequency sleep monitors and further creating a higher quality living environment for customers in application fields such as acoustic antivirus, acoustic health, and acoustic agriculture. Also, with a diverse product lineup, we strive to achieve a global leading position in this field within three years.

In a strategic move to demonstrate its presence in the global arena, Datasea established a wholly-owned subsidiary, Datasea Acoustics LLC, in Delaware, USA, on July 31, 2023. This venture underlines Datasea's dedication to "Intelligent Acoustics" and marks its ambition to offer advanced antiviral acoustic solutions at ultrasonic disinfection and sterilization, ultrasonic cosmetology, acoustic medical care, and acoustic agriculture to the US and international market, reaching an ever-growing consumer base. Simultaneously, the establishment of production, assembly, and sales channels, coupled with the reinforcement of technological enhancements and collaborations with international technology laboratories, augments the prospects for the sustainable development of Datasea Acoustics LLC.

5G Messaging:

5G Messaging business increases and improves how people and businesses communicate, while providing enterprises and brands a platform to engage, convert and efficiently cultivate buying relationships by leveraging 5G messaging service.

The 5G messaging service is known as RCS ("Rich Communication Suite") and integrates phones, messages, and contacts. Specifically, this 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.

5G messaging technology can create a new message ecosystem in which customers and enterprises can directly and efficiently connect via short messages on mobile phone terminals. When businesses apply 5G messaging to marketing initiatives, higher speed, better transmission quality, and lower latency can create brand new and improved customer experience.

As one of the leading service providers in China's 5G communication field, Datasea has several primary products and services targeting different customers and needs, including 5G Integrated Messaging Marketing Cloud Platform ("5G IMMCP"), Smart Push (precision marketing solution) and 5G messaging Top Up business related applications applicable to various industries in China. Together with artificial intelligence (AI), machine learning and data analytic capability, our Acoustics and 5G intelligent products and solutions are able to serve more than 48.42 million enterprises and businesses of all types (over 99% are SMEs) and households in China with digital and intelligent services.

Recent Developments

Due to the COVID-19 pandemic and related public health management, our Acoustic Intelligence and 5G Messaging businesses were both adversely affected to varying degrees during the fiscal year. As the COVID-19 pandemic has disrupted the supply chain and impacted the timing of the production and marketing of the Company's ultrasonic products due to quarantines, facility closures, and travel and logistics restrictions related to the outbreak. In addition, during the epidemic, the demand for our 5G messaging business has decreased in this fiscal year, and the restrictions on people's travel have led to a significant reduction in travel, shopping and other travel consumption. The impact of the COVID-19 pandemic had a material adverse effect on our operations and the financial performance of our business. In early December 2022, China announced a nationwide relaxation of the zero-coronavirus policy, and the recovery of consumption directly drove the company's 5G message top-up business to achieve rapid growth in the fourth quarter of 2023. However, the impact of the COVID-19 outbreak still depends on future mutations of the virus, including new information about the severity of the global outbreak and the measures taken, or the emergence of new or more severe strains that are highly uncertain and unpredictable. Therefore, while we do not expect the COVID-19 outbreak to have a negative impact on our business, results of operations and financial condition, the relevant financial impact cannot be reasonably estimated at this time.

Our Core Businesses

Intelligent Acoustics:

Our Opportunity

Due to the COVID-19 pandemic, people have become increasingly concerned about their health and the quality of the air in their surroundings. This surge in demand for indoor and in-vehicle air purification, air disinfection, and odor removal has propelled the market into a period of robust growth. Leveraging its proprietary technology and operational expertise in harnessing various core characteristics of ultrasound, Datasea has benefited from the rapid development of the indoor environmental purification and air disinfection and sterilization industry worldwide.

The collaborative technology of sonic and artificial intelligence is a disruptive applied technology in the skin repair market. Currently, most of the existing ultrasonic facial beauty devices on the market utilize the strong penetrating power of ultrasound, capable of reaching depths of 4 to 6mm beneath the skin's surface, to provide therapeutic treatments for facial skin whitening and texture improvement, and they are contact-based. The company's contactless ultrasonic and AI skin repair technology and products, especially including the artificial intelligence collaboration of intelligent control arm precision control and AI real-time diagnosis, are disruptive technology applications for the skin repair market. This sector complements the current medical aesthetic industry, which includes six major segments such as cleansing, moisturizing, whitening, spot removal, acne treatment, and anti-aging with significant market space.

Currently, there are relatively few similar technology applications and products related to contactless ultrasonic skin repair technology, directional sound and Schumann resonance in the domestic market, leaving huge opportunities and gaps to be filled.

The broad application prospects of Schumann resonance collaborative technology. The natural frequency magnetic field of Schumann resonance itself has the effect of relieving anxiety and stress, inducing brain waves to enter a deep sleep state, effectively improving the quality of deep sleep, and keeping people away from insomnia. The Magnetic Induction of Brain Rhythm (MIBR) technology, which is mastered by the Company, can create a natural frequency magnetic field similar to Schumann frequency by selectively optimizing and regulating the function of neuronal cells through magnetic induction wave energy (MIBR). It can alleviate stress and solve insomnia problems, and the application terminals of its technology are also portable and convenient to use, which has a great effect on the improvement of sub-health problems in the global population.

Directional sound is currently mainly applied in fields such as audio enhancement, sound system enhancement, and security and communication. Due to technical bottlenecks, adaptability to application scenarios, and cost, there are relatively few similar technological applications and products in the domestic market, and there are a large number of gaps and entry opportunities in the market. The Company has mastered the principles and characteristics of directional sound propagation, as well as the development of corresponding scenario applications. As a basic technology tool, directional sound's innovative collaboration with existing ultrasound and other technology applications and products is expected to fill the market gap globally.

Faced with these promising market opportunities, the Company has proactively established a strategic presence in the field of acoustic intelligence. We have strategically planned for technological advancements, specialized applications, product development, and customer orientation within this domain. As a result of this strategic planning, the Company has rapidly launched ultrasonic-based antivirus equipment. This includes our first-generation surface virus disinfection and sterilization products, as well as our second-generation air antivirus products known as the Hailijia series.

Industry Position of acoustics business

The Company holds a prominent position in the field of acoustics, particularly in areas such as ultrasound, infrasound, and directional sound. To promote research and innovation in these areas, the Company actively collaborates with several prominent research institutions and universities, including Chinese Academy of Sciences Institute of Acoustics, China Academy of Information and Communications Technology Cloud Computing and Big Data Research Institute, Tsinghua University Internet Industry Research Institute, Harbin Institute of Technology Artificial Intelligence Research Institute, Beijing Union University, and Jilin University Remote Sensing Research Institute. The Company, together with these partners, is dedicated to conducting research on new topics and developing novel technology applications to drive advancements in the field of acoustics. To better achieve this goal, the Company collaborated for seven joint laboratories to enhance the integration of research resources and cooperation. These collaborations and the establishment of these laboratories further solidify the Company's leading position in the field of acoustics, providing a strong foundation for future innovations and development.

Additionally, the Company, together with MIIT, Key Laboratory of Artificial Intelligence Key Technology and Application Evaluation and Informatization, CAICT Cloud Computing & Big Data Research Institute, released China's inaugural white paper on the acoustic intelligence industry. The paper shares compelling analysis and fact findings on intelligent acoustics technology, the commercialization of the technology, and the industry outlook. The white paper discussed the applications of the acoustic intelligence on an industry level and demonstrated the expectation for Datasea to lead the initiative and highlighted the Company's industry position in the field of acoustics.

Our Products and Future Plans

As date of the financial year ended June 30, 2023, our acoustic products primarily consist the "HailiJia" series of ultrasonic air sterilization products, including 1) In-door models (floor and desktop models) suitable for different areas and functions, and 2) In-vehicle models; 3) Restroom and Cloakroom purification and deodorization. Comprehensive air disinfection, and specialized sterilization suitable for environments such as hospitals, airports, hotels, transportation and residential areas.

Ultrasonic air sterilizer products:

- In-door model
- In-vehicle models

Key Features:

1) Employing ultrasonic high-speed coupling and thermal cavitation effects to comprehensively disinfect and sterilize against a range of pathogens, including COVID-19, H1N1, and others.

2) Designed with ultrasonic human-safe technology, ensuring no radiation, sterilization and disinfection for a safer and healthy environment.

3) Equipped with real-time air quality display, adaptive intelligence mode, and added features like built-in night light, timer, sleep mode, child lock, and Wi-Fi-enabled intelligent control, supporting both touch and remote-control functionalities.

4) Independent testing conducted by an authoritative third party confirmed that Datasea's ultrasonic devices achieved a 99.83% disinfection rate against COVID-19 in just nine seconds.

Air purification and deodorization products:

- For restroom:

Key Features: Effectively eliminating restroom odors, purifying the air, killing viruses and eliminating bacteria.

- For cloakroom

Key Features: Effectively freshing air and neutralizing harmful substances such as formaldehyde, benzene, ammonia and TVOC, and killing viruses and bacteria.

New products planned:

Skin Repair Robot (Coming soon):

6) Ultrasonic and Contactless

7) A purely physical way to repair damaged skin

8) shorten skin repair period

9) Artificial intelligence robotic arm with more precise control

10) AI real-time diagnosis

Sleep Monitor (Coming soon):

Hailijia Sleep Monitor adopts ultra-low frequency, weak intensity, and Magnetic induction of brain rhythm (MIBR), which is a magnetic induction of brain rhythm technology. Through the selective optimization and adjustment of the function of neurons through the magnetic induction of brain rhythm (MIBR), the monitor creates a natural frequency magnetic field similar to the Schumann frequency.

Key Features:

1) Reduce the impact of high-frequency radio waves on the human body, relieve anxiety and stress, and gradually relax the body and brain;

2) Resonate between the frequency of Device and the human body's own frequency, induce brain waves to enter a deep sleep state, prolong the time of deep sleep, and improve the quality of deep sleep, thereby improving sleep and keeping users away from insomnia.

Sales and Distribution

As of the date of this report, our acoustic products are mainly developed and produced in China, and the products we sell in China are mainly through:

1) The sales department of Shuhai Beijing and its subsidiaries directly sign sales contracts with customers.

During the reporting period, Shuhai Beijing and its subsidiaries have formed a complete marketing system, promotion strategies and models, including the Company's own sales team and innovative partner models. The sales team of Shuhai Beijing and its subsidiaries cover the core economic zones of China in Beijing, Northeast China, the Yangtze River Delta, and the Guangdong Hong Kong Macao Greater Bay Area, promoting various products and services.

2) Sales Channels

Shuhai Beijing and its subsidiaries have established cooperative relationships with multiple domestic sales and channel merchants and established a nationwide marketing channel network through a partnership system.

On December 2022, the Company unveiled national Hailijia air sterilization product event with an online event and offline product launches in various cities in China, including Beijing, Shenzhen, Tianjin, Hangzhou and Harbin. More than 50 institutions specializing in trade and distribution from China, Southeast Asia, and the Middle East participated in the event, highlighting the market interest in the products. During the product launches, Datasea has entered into eight marketing and distribution agreements in order to expand the business and reach to customers and sell certain Hailijia air sterilizers and purifiers in China.

3) Online distributors and living stream

The Company expands its coverage and increases market penetration by collaborating with multiple non- exclusive online distributors, living stream platform and selling innovative products on major e-commerce platforms.

4) International Business Expansion

As of the date of this report, Datasea has established a subsidiary (Datasea Acoustics LLC) in the United States, actively recruiting a sales team, and promoting cooperation with various local offline and online sales channels to support the sales of acoustic products in the U.S. and international markets.

Key Customers and Agreements

- An October 2022 sales agreement with Chengming Shengyuan, in which Chengming Shengyuan will purchase at least 100,000 Hailijia air purifier units with a purchase value of approximately $20.5 million (RMB 150 million) from November 2022 to November 2023 and promote and distribute them primarily through its e-commerce platform.

- Eight marketing and distribution agreements are signed following December 2022's national Hailijia online and on-site product showcase campaign.

- An equipment procurement project bid was won to supply disinfection and sterilization equipment to Tieli Fangcang Hospital, the designated hospital in Yichun City, on December 23, 2022.

- In May 2023, Shenzhen Jingwei, a subsidiary of Shuhai Beijing, signed a cooperation agreement with an online distributor, Aierfu, who will sell the "Hailijia" series of acoustic intelligent air sterilization products on multiple major e-commerce platforms.

Market Results

Datasea sells acoustic intelligence products through our direct sales team and a select network of distributors and online channel partners. Until this fiscal year, Datasea has 6 channel partners and 4 OEMs, typically account for the substantial majority of our sales. From the beginning of this fiscal year, we began to realize the sales of intelligent acoustics products – Hailijia series air Air sterilizers. Direct sales and distributors sales accounted for 49.48% and 50.52% of our $136,884 net revenue of the intelligent acoustics products for this fiscal year, respectively. We believe aggregate sales of intelligent acoustics products, through all channels, accounted for approximately 1.94% of our total net revenue for this year. Due to the fact that the Company's "HailiJia" series of ultrasonic air sterilization products were officially launched in the first half of 2023, the overall revenue scale has not yet increased significantly.

Latest Advances

In a strategic move to mark its presence in the global arena, Datasea established a wholly owned subsidiary, Datasea Acoustics LLC, in Delaware, USA, on July 31, 2023. This venture underlines Datasea's dedication to "Intelligent Acoustics" and marks its ambition to offer most advanced antiviral acoustic solutions to the U.S. market, attracting an increasing number of consumers.

Furthermore, Datasea will launch products like "Deep Sleep Monitor" and "Skin Repair Robot" to meet the market needs. These initiatives, originated from intelligent acoustics, align with Datasea's strategy to cater to the requirements of the niche market and to consistently pursue product portfolio diversification.

5G Messaging

Key Customers and Agreements

- In June 2023, Shuhai Beijing and its subsidiaries entered into a cooperation agreement with Xiamen Duocaomai Network Technology Co., Ltd. to sell 5G top up, generating a total revenue of RMB 35,531,574 (US $5,118,746) as of August 31, 2023.

- In August 2023, Shuhai Beijing and its subsidiaries entered into a cooperation agreement with Hynuo (Qingdao) Network Technology Co., Ltd. to sell 5G top up, generating a total revenue of RMB12,880,718 (US $1,855,621) as of August 31, 2023.

- In June 2023, Shuhai Beijing signed a cooperation agreement with Qingdao Hongxin Times Network Technology Co., Ltd. to sell 5G top up, generating a total revenue of RMB 2,710,711 (US $390,510) by August 31, 2023.

Market Results

Datasea helps the digital transformation and upgrading of cities and enterprises in the Chinese market through its self-developed 5G messaging platforms. As of the end of the year, the revenue mainly came from the service fee of our 5G messaging service, whose net income was US $6,686,691, accounting for 94.91% of the total net income of the year. Among them, the net revenue from 5G messaging Top-up services is US $4,481,442, accounting for 67.02% of the company's net revenue from the 5G messaging business, while the rest is revenue from cloud platform construction project service fees.

ESG Management

Datasea remains dedicated to integrating ESG (Environmental, Social, and Governance) considerations into our business operations and strategy. We recognize that this approach is vital for effectively managing risks, identifying growth opportunities, and bolstering our long-term resilience. Moreover, it helps us foster positive relationships with stakeholders and enhance our reputation, giving Datasea a competitive advantage in an ever-evolving industry.

As part of our ongoing commitment to ESG, Datasea has adopted a comprehensive framework to align our operations with our values and priorities. This framework guides our decision-making processes andemphasized sustainable growth and long-term success.

Transparency and accountability are central to our ESG approach. Starting from 2023, Datasea is committed to providing meaningful and accurate sustainability information to our stakeholders. To achieve this, we will disclose information about our ESG practices and performance through quarterly and annual ESG Reports and sustainability statements.

Our progress in ESG integration and reporting during this quarter includes the followings:

ESG Evaluation: In the third quarter of 2023, Datasea conducted a thorough ESG evaluation to assess our current performance and pinpoint areas for improvement. This assessment was instrumental in understanding our ESG readiness and identifying our top ESG priorities. It served as the foundation for developing our ESG roadmap and implementation plan.

Datasea's ESG priority assessment is a cornerstone of our commitment to ESG integration. It helps us focus on the most significant ESG issues for both Datasea and our stakeholders. Our priorities span environmental, social, and governance dimensions, ensuring a well-rounded approach.

Key ESG Priorities: Our assessment identified critical ESG priorities, including:

- o Environmental: Energy use and efficiency, greenhouse gas emissions, water management, waste reduction, and hazardous materials management.

- o Social: Inclusion, diversity, and non-discrimination, talent recruitment, development, and retention, employee health and safety, and supply chain.

- o Governance: Ethics and integrity, corporate governance, cybersecurity, data privacy, and product quality.

These priorities align with our commitment to minimizing our environmental impact, enhancing social well-being, and ensuring strong governance practices.

By focusing our efforts on these priorities, we aim to have a meaningful impact on our stakeholders and the environment. Datasea remains dedicated to implementing our 2023 ESG program and initiatives effectively to address these priorities and achieve our ESG objectives. While there have been no recent reports released, we continue our commitment to ESG integration, striving for continuous improvement and transparency in our sustainability efforts. We look forward to sharing our progress and achievements with our stakeholders in upcoming ESG Reports and communications.

Competition

It is important to note that acoustic technology is a broad and diverse field. Different acoustic characteristics may find extensive applications in various niche sectors and different application areas may have distinct market competitive landscapes. Large tech companies like Baidu, Alibaba, Tencent, and others have also invested in acoustic-related technologies, which could potentially influence market dynamics in the future. We expect competition in the markets in which we participate to continue to increase as existing competitors improve or expand their product offerings and as new companies enter the market. Additionally, our ability to compete effectively depends on many factors, including progressiveness technology, product safety and other characteristics such as price and brand.

Going Concern

The accompanying unaudited consolidated financial statements were prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. For the years ended June 30, 2023 and 2022, the Company had a net loss of approximately $9.48 million and $6.52 million, respectively. The Company had an accumulated deficit of approximately $28.06 million as of June 30, 2023, and negative cash flow from operating activities of approximately $3.14 million and $5.14 million for the years ended June 30, 2023 and 2022, respectively. The historical operating results indicate the Company has recurring losses from operations which raise the question related to the Company's ability to continue as a going concern although the range of such recurring operating losses has narrowed in recent years. There can be no assurance the Company will become profitable or obtain necessary financing for its business and investments or that it will be able to continue in business and investments. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. As of June 30, 2023, the Company had cash of $19,728.

We continue to bring in additional investors to support our company's research and development, marketing and operations. On August 1, 2023, the Company entered into two separate subscription agreements with a certain non-U.S. investor, pursuant to which the Company agreed to sell and the investor agreed to purchase an aggregate of 4,760,000 shares of common stock price at a $1.2 per share purchase price. Such shares must be held for a period of 365 days. In accordance with such two agreements, Investor A shall pay a total purchase price of $5,712,000 in RMB, at an amount of RMB 40,000,000, no later than September 30, 2023. On September 21, the Company has received all of the payment of RMB 40,000,000. On August 15, 2023, the Company entered into a subscription agreement with a non-U.S. investor to purchase an aggregate of 2,962,963 shares of common stock price at a $1.35 per share purchase price, with a total subscription price of $4,000,000. The shares must be held for a period of 180 days. On September 13, 2023, our Company announced the closing of an underwritten public offering of 5,000,000 shares of common stock at a public offering price of $0.40 per share, for aggregate gross proceeds of $1,635,000, after deducting underwriting discounts and other offering expenses. We believe these fundings demonstrate our investors' confidence on our strategy and business.

If deemed necessary, management could seek to raise additional funds by the way of introducing strategic investors or private or public offerings, or by obtaining loans from banks or others, to support the Company's research and development, procurement, marketing and daily operation. However, there can be no assurance that additional funds will be available when needed from any source or, if available, will be available on terms that are acceptable to us. We may be required to pursue sources of additional capital through various means, including debt or equity financings. Future financings through equity investments are likely to be dilutive to existing stockholders. Also, the terms of securities we may issue in the future capital transactions may be more favorable for new investors. Further, we may incur substantial costs in pursuing future capital and/or financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. Our ability to obtain needed financing may be impaired by such factors as the capital markets and our history of losses, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, is not sufficient to satisfy our capital needs, even to the extent that we reduce our operations accordingly, we may be required to cease operations.

Significant Accounting Policies

Please refer to our significant accounting policies in Note 2 to our consolidated financial statements included in this report.

Results of Operations

Comparison of the years ended June 30, 2023 and 2022

The following table sets forth the results of our operations for the years ended June 30, 2023 and 2022, respectively, indicated as a percentage of net sales. Certain columns may not add up due to rounding.

	2023	% of Revenues	2022	% of Revenues
Revenues	$ 7,045,311		$ 17,080,911	
Cost of revenues	6,704,380	95%	16,125,238	94%
Gross profit	340,931	5%	955,673	6%
Selling expenses	690,731	10%	1,358,203	8%
Research and development	921,020	13%	1,259,739	7%
General and administrative expenses	8,414,400	119%	5,574,985	33%
Total operating expenses	10,026,151	142%	8,192,927	48%
Loss from operations	(9,685,220)	(138)%	(7,237,254)	(42)%
Non-operating income (expense), net	(12,795)	(0.2)%	125,572	1%
Loss before income taxes	(9,698,015)	(138)%	(7,111,682)	(42)%
Income tax expense	-	-%	-	-%
Loss before noncontrolling interest	(9,702,334)	(138)%	(7,111,682)	(42)%
Less: income (loss) attributable to noncontrolling interest	(218,323)	(3)%	(589,974)	(3)%
Net loss to the Company	$ (9,479,692)	(135)%	(6,521,708)	(38)%

Revenues

We had revenues of $7,045,311 and $17,080,911 for the years ended June 30, 2023 and 2022, respectively, which shows a $10,035,600 or 59% decrease by comparing with the same period of 2022. The decrease in revenues was mainly due to during the global COVID-19 pandemic situation the reduced demand for 5G SMS business in China, the decrease of the revenue from 5G messaging. For the year ended June 30, 2023, revenues mainly consisted of service fees from our 5G SMS service platform and Cloud Platform construction project. For the year ended June 30, 2022, revenues mainly consisted of service fees from our 5G SMS service platform.

From July 1, 2022 to June 30, 2023, the Company generated revenue of $7,045,311, including $6,686,691 from the 5G messaging business and $196,940 from the acoustic intelligence business, and $161,680 from other business.

From July 1, 2021 to June 30, 2022, the Company generated $17,080,911 revenue, which consisted of 5G message business with an amount of $17,024,695, including $11,937,189 from 5G SMS and $1,825,547 from 5G IMMCP and $3,261,959 from aggregate message cloud as value-added service; and $56,216 from other projects.

During the year ended June 30, 2023, the Company significantly reduced 5G SMS business due to the low gross profit margin and focused on developing the customers who can make prepayment for 5G SMS. At the same time, the Company expands the layout of intelligent acoustics products.

Cost of Revenues

We recorded $6,704,380 and $16,125,238 cost of revenues for the years ended June 30, 2023 and 2022, respectively, which shows a $9,420,858 or 58% decrease by comparing with the same period of 2022. For the year ended June 30, 2023 and 2022, cost of revenues was mainly the 5G SMS service platform fees and Cloud Platform construction to suppliers. The decrease in cost of revenues was due mainly to the decrease sales of 5G SMS. For the year ended June 30, 2023, the cost of 5G messaging was $6.57 million, the cost of intelligent acoustics business was $115,143, and the cost of other business was $14,844.

Operating costs incurred from July 2021 to June 2022 were $16,125,238, and cost of 5G messaging service was $16,091,903 including $11,578,298 for 5G SMS, $3,091,548 for 5G IMMCP and mobile on cloud projects; $1,422,056 for advertising service, and $33,335 for other projects. These costs were the service procurement costs corresponding to the full operation of the business lines of the Company. Among them, 5G messaging business has entered a period of rapid growth, and cost of procurement accounts for 99.8% of the overall procurement cost.

Gross Profit

Gross profit for the year ended June 30, 2023 was $340,931 compared to $955,673 for the year ended June 30, 2022, which shows a $614,742 or 64% decrease by comparing with the same period of last fiscal year. The decrease in gross profit was mainly due to the decrease in delivery of services related to the 5G SMS service platform in 2023.

Gross margin is 4.8% for the year ended June 30, 2023 compared to 5.6% for the year ended June 30, 2022.

As China officially enters the 5G era, China’s 5G network construction will usher in new opportunities and bring revolutionary changes to domestic economic and social development and production and life. “application scenarios supported by 5G are expanding from the Mobile Internet to the Mobile Internet of Things, and a new generation of high-speed, mobile, secure and ubiquitous information infrastructure will be built.” At the same time, 5G will accelerate the digital transformation of many industries and social life.”

Combining the advantages of “Internet of Things+” intelligent terminals and 5G messaging industry chain, Shuhai Information is advancing with the time, taking the train of the 5G era, and developing 5G message/phone top up business. At this stage, Shuhai is carrying out the development, operation and promotion services of the Internet of Things market and increasing the effective combination of resources with Mobile Internet enterprises and the Internet of Things industrial chain.

In 2023, the 5G phone recharge business of Shuhai Information accounts for a relatively big proportion of the total revenue, because, at this stage, the business belongs to the early stage of the development, operation and promotion services of the Internet of Things market, and the investment in all aspects is large. In addition, the gross profit of the phone charge recharging business is generally low. As a result, the annual gross profit margin decreased from the previous year. The Company’s focus in this business is to integrate new resources, expand new businesses related to 5G, combine the Company’s years of deep cultivation and accumulation in 5G news, and take this opportunity to open up more 5G-related businesses to increase the Company’s revenue and new business.

In China's mature and transparent market today, gross margins on services are far greater than those on hardware sales. The improvement of gross profit margin shows that the Company's measures to improve gross profit margin are gradually showing effect: 1) costs will be reduced by economic scale over a larger number of customers base and the increase in production; 2) the Company, by adopting the differentiation strategy, grows brand recognition and customer loyalty, strengthening the Company's pricing power; 3) after the commercialization of 5G messaging in the Chinese market (expected in the fourth quarter of 2022), the targeted customers and product will be expanded. For example, the Company will provide the 5G IMMCP as SaaS software, customized and value-added services to improve profit margin. The Company will continue to increase the share of high gross profit products in the sales while increasing the revenue, so as to further improve the gross profit rate and give investors a better return on investment.

Selling, General and Administrative, and Research and Development Expenses

Selling expenses were $690,731 and $1,358,203 for the years ended June 30, 2023 and 2022, respectively, representing an decrease of $667,472 or 49%. The decrease was mainly due to the decrease in payroll expense of salespersons by $354,507, decreased meal and entertainment expense by $13,776, decreased meeting expense by $11,541, decreased service fee by $364,608, and decreased other selling expenses by $41,626, which was partly offset by increased advertising and marketing fee by $118,420.

Currently, we are focusing on expanding the Company's leading intelligent acoustics technologies and products and continuing to develop 5G-related applications. We incurred R&D expenses of $921,020 and $1,259,739 during the years ended June 30, 2023 and 2022, respectively, which shows a $338,719 or 27% decrease by comparing with the same period of 2022.

Research and development expenses of $921,020and intangible assets increased by $80,438 for year ended June 30, 2023. The company's research and develop results include but are not limited to the following:

5G Messaging Marketing cloud platform (5G MMCP), updated 5G Integrated Messaging Marketing cloud platform (5G IMMCP) and "smart push". 5G IMMCP expands connection with existing clients through accesses such as SMS, email, WeChat, applet, APP Push and third-party tools and manage users from different platforms all in one 5G IMMCP solution. Smart Push, a precision marketing solution powered by 5G messaging technology with broad applicability to serve companies of all sizes and helps enterprise clients send personalized messages at scale to a captive audience and engage in one-on-one conversations that may lead to conversions, sales, and customer loyalty.

Datasea's acoustic intelligence sets have passed the certification of the third-party authoritative institutions that has proven to achieve a 99.83% efficacy in nine seconds against Covid-19. At present, a complete set of intelligent acoustics product system has been formed:

Building on Datasea's advanced intelligent acoustics technology, the Company developed five models under the brand "Hailijia," including products meant for in-vehicle sterilization and deodorization, restroom sterilization and deodorization, air disinfection, and air disinfection and sterilization meant for locations such as hospitals, airports, logistics warehouses, cold chain transportation, and home care.

With the wide acceptance of 5G applications across the country, especially the acceleration of digitalization and intelligent construction in the Chinese business community has led to a rapid increase in the demand for smart-related systems and promotion services based on 5G technology in the Chinese market. This is because there are more than 48.42 million enterprises and business of all types and over 99% are SMEs.

As a useful way to defense the respiratory infectious disease, Shuhai's "Hailijia" ultrasonic air disinfection equipment is able to meet various disinfection needs and help protect families, staff, patients, students and visitors in private homes or public places. It is expected to usher in a wider market breakout period and the rapid growth of revenue.

General and administration expenses increased $2,839,415, or 51% from $5,574,985 during the year ended June 30, 2022 to $8,414,400 during the year ended June 30, 2023. The increase was mainly attributed to the increase in stock compensation expense by $3,736,887 which was partly offset by decreased bad debt expense by $209,616, decreased meal and entertainment expense by $137,821, decreased rent expense by $247,774, decreased payroll expense by $80,438, decreased professional fee by $152,059 and decreased other G&A expenses by $69,762.

The Company has more accurate and scientific management methods in personnel costs and risk control. We take human capital as a key indicator to promote business growth and technological innovation by improving efficiency. By downsizing the numbers of non-core position staff, the Company manages to control expenses, while does not affect the work efficiency and efficiency in any way. At the same time the Company strives to pursue better integration channel with related industries, i.e., outsourcing sales branch for Acoustic products and establishing joint venture to obtain the investment to 5G messaging technology area.

In order to further improve research and development, office environment, and work efficiency, while reducing rent costs and increasing asset size, the Company plans to issue stocks to the actual controller of the Company to purchase office assets. The plan to purchase office assets is expected to be implemented in the near future.

We are treating the human capital as a key indicator to drive the business growth and technical innovation, also pursuing better integrated channels with related industries.

Non-operating Income (Expenses), net

Non-operating expense was $12,795 for the year ended June 30, 2023, consisting mainly of interest income of $219 and other expense of $13,014. Non-operating income was $125,572 for the year ended June 30, 2022, consisting mainly of interest income of $50,497 and other income of $75,075.

Net Loss

We generated net losses of $ 9,479,692and $6,521,708 for the years ended June 30, 2023 and 2022, respectively, which shows a $2,957,984 or 45% increase by comparing with the same period of 2022. The increase in net loss was mainly due to the increase in operating expenses and decreased gross profit as explained above.

Accounts receivable

The operating revenue of the year ended June 30, 2023 was $7,045,311, the balance of accounts receivable was $255,725 at June 30, 2023. In the same period last year, the operating revenue was $17,080,911, and the accounts receivable balance was $259,410 at June 30, 2022. This year, the Company further segmented the market, planned eight regional headquarters, strengthened the collection control, and promoted the fund collection of contracted delivery projects, which led to the benign return of funds and had a far-reaching impact on the future.

Liquidity and Capital Resources

Historically, we have funded our operations primarily through the sale of our common stock and shareholder loans. To enhance our ability to continue to operate as a going concern, we are dedicating resources to generate recurring revenues and sustainable operating cash flows.

We expect to generate revenues through expanding our current 5G messaging and acoustic intelligence business, and through continuous product innovation and development as well as various types of value-added services. In order to maintain working capital sufficient to support our operations and finance the future growth of our business, we expect to fund any cash flow shortfall through financial support from our majority stockholders (who are also our board members or officers) and public or private issuance of securities. However, such additional cash resources may not be available to us on desirable terms, or at all, if and when needed by us.

As of June 30, 2023, we had working capital deficit of $3,617,058 or a current ratio of 0.26:1. Our current assets were $1,289,517. As of June 30, 2022, we had a working capital deficit of $867,774 or a current ratio of 0.59:1, and our current assets were $1,256,801.

We expect the Company to continue to support its ongoing operations and financing through revenue growth and increased financing activities. However, there is no assurance that the Company will be able to secure such additional working capital on commercially viable terms or at all.

The following is a summary of cash provided by or used in each of the indicated types of activities during the years ended June 30, 2023 and 2022, respectively.

	2023	2022
Net cash used in operating activities	$ (3,136,081)	$ (5,139,712)
Net cash used in investing activities	$ (113,131)	$ (1,133,424)
Net cash provided by financing activities	$ 3,109,207	$ 6,379,304

Cash Flow from Operating Activities

Net cash used in operating activities was $3,136,081 during the year ended June 30, 2023, compared to net cash used in operating activities of $5,139,712 during the year ended June 30, 2022, a decrease in cash outflow of $2,003,631. The decrease in cash outflow was mainly due to decreased adjusted net loss by $0.70 million (after addback of non-cash adjustment to net loss), decreased cash outflow from accounts receivable by $252,384, increased cash inflow on accounts payable by $813,499, increased cash inflow from unearned revenue by $242,160, decreased cash outflow on prepaid expenses by $82,740, decreased cash outflow on deferred revenue by $46,461 and decreased cash outflow on payment on operating lease liabilities by $260,987, which was partly offset by increased VAT prepayment by $152,525 and increased cash outflow on accrued expenses and other payables by $217,794.

Cash Flow from Investing Activities

Net cash used in investing activities totaled $113,131 for the year ended June 30, 2023, which consisted of cash paid for the acquisition of office furniture and equipment of $3,881, cash paid for acquisition and development of software systems of $80,438, and long-term investment into high-tech companies of $28,812. Net cash used in investing activities totaled $1,133,424 for the year ended June 30, 2022, which consisted of cash paid for the acquisition of office furniture and equipment of $51,340, cash paid for acquisition and development of software systems of $1,051,111, and long-term investment into high-tech companies of $30,973.

Cash Flow from Financing Activities

Net cash provided by financing activities was $3,109,207 during the year ended June 30, 2023, which was the net proceeds from loans payable of $2,197,400, and increase in due to related parties of $1,110,238, which was partly offset by repayment of loan payables of $198,431. Net cash provided by financing activities was $6,379,304 during the year ended June 30, 2022, which was the net proceeds from sale of our common stock through an equity financing of $7,681,796, proceeds from capital contribution from a major shareholder of $62,802, and increase in due to related parties of $37,042, but offset by repayment of loans payable of $1,402,336.

As of June 30, 2023, the total liabilities of Datasea are $6,334,545, which shows a 193.8% increase from June 30, 2022. The increase of liability is due to increased due to related party by $1,060,525, increased accrued expenses and other payable by $415,055, increased loan payable by $1,914,476, increased unearned revenue by $319,287, and increased accounts payable by $807,486.

Cash inflows generated from financing activities for the year ended June 30, 2023 were $3,307,638, compared to $7,781,640 in the same period last year. Although this year’s net cash inflows are 51% lower than last year’s net cash inflows from financing activities, this is entirely due to the company’s better financing outlook and more mature financing attitude. We pay more attention to financing planning issues and the cost of financing.

Analysis of several index

As of June 30, 2023 and June 30, 2022, the company’s inventory was $241,380 and $211,353 respectively, an increase of $30027 over the previous year, with a growth rate of 14.21%, mainly due to the company’s increased research and development and investment in acoustic intelligent products in 2023, some of which have been put into the Chinese market. In the future, the company will increase its investment in acoustic intelligent products. Use existing advantages and capabilities to open up new markets. Bring more revenue to the company.

As of June 30, 2023 and June 30, 2022, the original value of the company's intangible assets was $2,296,459 and $2,265,275 respectively, an increase of $31,184 over the previous year, with a growth rate of 1.37%. In 2023, the company increased its investment in research and development, and independently developed the 5G messaging platform for small, medium-sized and micro enterprises in Shuhai Beijing. Lay the foundation for enterprises to explore the 5G market in the future and enhance the core competitiveness of the market.

As of June 30, 2023 and June 30, 2022, the company's long-term investment was $55,358 and $29,800 respectively, an increase of $25,558 over the previous year, with a growth rate of 85%. By focusing on the digital economy such as 5G messaging and acoustic intelligence, the company has continuously integrated industry resources, actively innovated business models, and steadily expanded the regional market. Steadily expand market share and market coverage to achieve large-scale operation. Increase strategic core competitiveness.

As of June 30, 2023 and June 30, 2022, the company's prepaid accounts were $609,175 and $289,888 respectively, an increase of $319,287 over the previous year, with a growth rate of 110.14%. The company generated cash inflow through the credit management of customers, thereby reducing the operating pressure of the company and strengthening the utilization of funds.

Going forward

Datasea is in the stage of becoming a leading enterprise in China's digital economy, a top 100 private enterprise in China and a well-known multinational conglomerate. We will reach the domestic first-class and international leading level in technological innovation, talent training, ecological construction, and provide cutting-edge artificial intelligence globally especially for acoustic intelligence to better build the digital world. To achieve this objective, the management of the Company plans to:

- Strengthen the acoustic intelligence business operation in the U.S. for design, innovation, supply chain management, sales, and capitalization in order to reinforce the leadership position globally;
- Develop new acoustic intelligence product lines for a wider range of application layers, including Acoustic Industrial, Acoustic Agriculture, Acoustic Medicine, Acoustic Beauty and Acoustic Health;
- Upgrade current service on 5G messaging business, and promote aggressively for seizing up market share;
- Continue to team up with domestic and international top-tier technical institutions for research & development in acoustic intelligence, drive up demand through supply-side innovation, and persevere in the growth stage of industry life cycle;
- Expand sales globally and localize core products to better meet customers' demand;
- Create strategic alliance with potential acoustic intelligence partners, both in US and China, to create mutual synergy in the form of merger & acquisition or joint venture;
- Gain greater control over the supply chain in the acoustic intelligence industry through sustained and beneficial vertical integration;
- Enhance the Company's brand awareness by omni-channel marketing and obtain PCT international patents to boost up the value of intangible assets;
- Maintain clients' loyalty by providing outstanding customer service, exclusive service experience, and appropriate transparency and publicity;
- Leverage different monetary policies around the world, optimize capital structure and lower the cost of financing.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and notes thereto are set forth on pages F-1 through F-35 of this report.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

On September 14, 2021, Kreit & Chiu CPA LLP (formerly known as Benjamin & Ko, "Benjamin") was appointed as the new independent registered public accounting firm for the Company. Prior to engaging Kreit & Chiu CPA LLP on September 14, 2021, the Company has not consulted Kreit & Chiu CPA LLP regarding the application of accounting principles to a specified transaction, completed or proposed, the type of audit opinion that might be rendered on our financial statements or a reportable event, nor did the Company consult with Kreit & Chiu CPA LLP regarding any disagreements with the Company's prior auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope of procedure, which disagreements, if not resolved to the satisfaction of the prior auditor, would have caused it to make a reference to the subject matter of the disagreements in connection with its reports.

Simultaneously with the appointment of Kreit & Chiu CPA LLP, on September 14, 2021, Prager Metis CPAs, LLC was terminated as the independent registered public accounting firm for the Company. The decision to change audit firms from Prager Metis CPAs, LLC to Kreit & Chiu CPA LLP was approved by the Audit Committee of the Company's Board of Directors.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, our principal executive officer and acting principal financial officer, respectively, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosure controls and procedures were not effective as of such date because of the material weaknesses identified in our internal control over financial reporting as described below.

Management's Annual Report on Internal Control Over Financial Reporting

Our management, including our principal executive officer and principal financial officer, is collectively responsibility for establishing and maintaining adequate internal control over financial reporting for Datasea, and has assessed the effectiveness of our internal control over financial reporting as of June 30, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Because of the weaknesses described in the following paragraphs, management believes that, as of June 30, 2023, our internal control over financial reporting was not effective due to the presence of the following weaknesses in internal control over financial reporting which are indicative of many small companies with a small staff: (i) the segregation of duties in several departments is not clear enough; (ii) the testing cycle for the effectiveness of internal control measures should be shortened and the frequency be increased; (iii) lack of accounting personal trained in the Generally Accepted Accounting Principle of United States.

Management's Strategies for Enhancing Internal Control:

In the previous fiscal year, we recognized the weaknesses in our internal control over financial reporting and have taken proactive steps to enhance and refine our internal control framework. These initiatives primarily include:

1. Continuous Improvement of Internal Control Procedures: We remain committed to refining our internal control processes, encompassing various aspects such as the budget approval process, procurement and asset management, credit control, internal audits, and cost accounting. Additionally, we have compiled a comprehensive internal control policy, incorporating guidelines for procurement control, inventory management, and fraud prevention.

2. Collaborative Oversight Mechanism: To strengthen internal control implementation, we have established a collaborative mechanism between the internal control department and the legal department. This mechanism involves conducting interviews with department heads, promptly addressing identified risk areas, and ensuring corrective actions are taken.

3. Engagement with Financing Underwriters: We have engaged financing underwriters to work closely with our international department to facilitate the company's financing efforts. This partnership aims to improve our understanding of investor backgrounds and identify financing methods that align best with our objectives.

4. Enhanced Collaboration with Legal Professionals: We are reinforcing collaboration between our internal and external legal teams to proactively mitigate risks.

In addition to these efforts, we have adopted various internal control policies, including the review of accounting personnel duties and responsibilities, travel allowances, reimbursement procedures, receivable management, asset control, internal audit processes, and cost accounting. Furthermore, we have established an internal audit department under the leadership of a director of internal audit, along with a legal team, to ensure compliance and effective risk management.

Further Enhancements Include:

5. Personnel Training: We are committed to training our staff to ensure the proper execution of internal control policies and procedures.

6. Regular Reporting to the Audit Committee: We will continue to provide quarterly summaries of internal control and audit reports to the Audit Committee.

7. Quarterly Review with U.S. CPA: Each quarter, we will conduct a trial balance review in collaboration with a U.S. Certified Public Accountant (CPA) after their review or audit.

Specifically we have also implemented the following practices to enhance Datasea featured internal control system:

1. Projects Pre-approval:

We have carried out project development at irregular intervals according to the needs of business development. Before the project is officially initiated, we have organized the setup of the project review group. The project review group has mainly reviewed the project's market development prospect report, project proposal, project report and other documentations that are prepared by the project development team. After communication and discussion by the review team, the project will be formally approved.

2. Significant Issues:

Significant issues will go through meetings of the President's Office. During those meetings, the Company's strategic adjustments of the business and major projects or events will be discussed. Only after the board meeting or the resolution of the board of directors, the decisions will be implemented in accordance with the meetings.

3. HR Management, Responsibility, Rewards and Penalties System:

We have strict control over talents and their efficiency, from the probation period to the conversion to regular employees. After the employees passing the strict evaluation, they will be included in the regular employees pool and sign the job responsibility letter and performance commitment letter. They will go through monthly performance assessment and evaluation as the basis for salary settlement. We will give rewards to employees with excellent performance from time to time, and the rewards are not limited to cash and stocks. We also gives certain penalty measures for employees' work mistakes, such as deduction of performance-based salary.

4. Budget Management:

The internal control department organizes all departments to participate in the full budget formulation and budget implementation, and comprehensively develop and implement the annual full budget data according to funds, assets, project initiation, business line revenue, and costs. The internal control center strictly controls the budget. The execution department, the finance department, the CEO and the chairman of the board jointly approve and execute the budget. In the process of budget implementation, we adopt the monthly rolling budget system, and the Group financial management internal control center makes statistical analysis of the implementation results to help each business unit complete the performance targets and strive to achieve the annual target of the Group company.

5. Operation Management:

We combine centralized and decentralized management styles according to the business line types and operating characteristics of each subsidiary of the group. We will give our subsidiaries certain management rights so that we will not miss any business opportunities. In terms of production and operation, from project initiation, procurement to sales, we have a complete control process. For example, before purchasing, we need to look around in the market and select high-quality suppliers after the audit of the group's financial management internal control center. We are willing to build long-term stable and friendly cooperation with high-quality suppliers. We will develop a complete process from the product check-in to check-out. After the approval of all parties, the procedure of product check-out will be completed to avoid risks.

6. Business Development Personnel Management:

For excellent business development personnel, we formulate relevant royalty management measures with comprehensive considerations about different lines of business, different products combined with different market conditions. We distribute salary and bonus according to performance. Business development personnel who successfully complete the sales target can get generous remuneration. These measures actively motivate business development personnel to complete the group's annual performance goals.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended June 30, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following tables set forth the respective positions and ages of the directors and executive officer of the Company as of the date of this report. Each director of the Company has been elected to hold office until the next annual meeting of shareholders and thereafter until his successor is elected and has qualified.

Name	Age	Position
Zhixin Liu	37	Chairman of the Board, CEO, President & Secretary
Mingzhou Sun	54	Chief Financial Officer
Fu Liu	58	Director
Michael James Antonoplos	71	Independent Director
Stephen (Chun Kwok) Wong	41	Independent Director
Yan Yang	53	Independent Director
Chunqi Jiao	51	Chief Technology Officer

Biographical Information

Ms. Zhixin Liu. Ms. Liu currently serves as our Chairman of the Board, Chief Executive Officer. Prior to founding Shuhai Beijing in February of 2015, from February 2012 to January 2015, Ms. Liu also worked as the General Manager of Harbin Jinfenglvyuan Bio-Technology Co., Ltd. where she was responsible for implementing the Company's annual work plan, financial budget report, profit distribution, utilization plan, conducting the daily management of the Company, and signing agreements on behalf of the Company. From January 2011 to February 2012, Ms. Liu worked as a board director in Beijing Jinyajianguo Refrigeration Plants Manufacturing Co., Ltd., a private company. Ms. Liu had business administration courses at China Agricultural University. Ms.Liu obtained MBA of Universidad Rovira i Virgili Instituto de Gestión Empresarial y Management (IGEMA) in 2023. As our President and Chief Executive Officer, Ms. Liu brings to the Board an intimate understanding of the industry and our operations. We believe Ms. Liu's experience qualifies her to serve on our Board of Directors.

Ms. Mingzhou Sun. Ms. Sun was appointed as our Chief Financial Officer on August 1, 2021. She has over 20 years of experience in the accounting and auditing industry. Since September 2019, Ms. Sun has been serving as the accounting director of the Company, being responsible for preparing the Company's accounting documents in connection with the Company's registration statements and periodic reports filed with the U.S. Securities and Exchange Commission in the past. From March 2018 to September 2019, Ms. Sun was a partner at Beijing Mingye Accounting Firm, where she helped her clients establish the internal financial control system, analyze national tax policies and issue various tax related reports. From July 2012 to January 2018, Ms. Sun served as Vice President and Chief Financial Officer at Sun Seven Star Investment Group. From March 2008 to June 2011, she served as Chief Financial Officer at Golden State Holding Group (USA). Prior to that, Ms. Sun also served as the financial director and manager at various companies. Ms. Sun is a registered CPA and Certified Public Valuer in China. She also holds a level 2 certificate of the Association of Chartered Certified Accountants. Ms. Sun received her Bachelor degree in Accounting from Renmin University of China in 1991.

Mr. Fu Liu. Mr. Liu currently serves as a member of our Board of Directors and our Corporate Secretary. Mr. Liu has served as the Chairman of the Board of Directors of Shuhai Beijing since February 2015. Prior to his service on the board of Shuhai Beijing, from February 2012 to January 2015, Mr. Liu served as the Chairman of Board of Directors of Harbin Jinfenglvyuan Bio-Technology Co. Ltd. From January 2011 to January 2015, he served as a director of Beijing Jinyajianguo Refrigeration Equipment Co., Ltd. Prior to that, Mr. Liu was the director of Kedong County Rural Economic Management Office in Qiqihar City in Heilongjiang Province from January 2005 to January 2012. Mr. Liu studied accounting at Heilongjiang Institute of Finance and Economics in June 1987 and completed legal studies at the CPC Party School Heilongjiang Provincial Committee in 1989. Among other qualifications, Mr. Liu brings to the Board extensive knowledge of our business, relevant executive officer experience as well as governmental and political expertise. We believe Mr. Liu's experience qualifies him to serve on our Board of Directors.

Mr. Michael J. Antonoplos. Mr. Antonolos currently serves as a member of our Board of Directors. From January 2001 to present, Mr. Antonoplos has been managing principal of Bayard Street Capital, a commercial real estate company. He holds an undergraduate degree in Psychology and Political Science from University of Pittsburgh (1974). We believe that his significant commercial and business experience would be a valuable contribution to the Board and its committees.

Mr. Stephen (Chun Kwok) Wong. Mr. Wong has served as a member of our Board of Directors since December 21, 2018. Mr. Wong currently serves as the chief executive officer of Splendid Holding Limited, an interior design company incorporated in Hong Kong. Mr. Wong served as the group financial controller for Fitness World (Group) Limited and MJ Medical Beauty Limited from February 2017 to August 2018. He was a senior associate at PricewaterhouseCoopers Limited (PwC) from January 2016 to January 2017. He worked at Moore Stephens Associates Limited (Hong Kong) as a senior associate from October 2010 to December 2015. He was a supervisor at KLC Kennic Lui & Co. from July 2009 to August 2010 and an auditor at KLC CPA Limited from October 2005 to June 2008. Mr. Wong studied accounting and received his Bachelor of Commerce degree in Accounting from Macquarie University in Sydney, Australia in 2005. We believe Mr. Wong's experience qualifies him to serve on our Board of Directors.

Ms. Yan Yang. Ms. Yang has served as Secretary General of the Dragon Merchants International Alliance, since 2018. From 2005 to 2018, she served as general manager of Beijing Mingsheng Kaitai Books Co., Ltd. From 2003 to 2005, she served as the deputy general manager of China Sunrise Enterprise Group Import and export company. From 1998 to 2003, she served as the general manager of the Distribution Department of Modern Book Distribution company. Over the course of Ms. Yang's career, she has abundant experience specially in various business sectors, such as marketing, import and export, which we believe would be a valuable contribution to the Board and its committees.

Mr. Chunqi Jiao: Mr. Jiao has served as our Chief Technology Officer since October of 2019. Prior to joining our company, Mr. Jiao once served as the Technical Director of Beijing Tianxinghulian Information Technology Co., Ltd.; from January 2015 to May 2017, he worked as the Technical Director of Heilongjiang Beidoutianyu Satellite Co., Ltd.; from July 2010 to October 2014, head of Shenzhen Century Lianchuang Technology Development Co., Ltd. Heilongjiang Branch; from August 2008 to June 2010, Chief Technical Officer of Heilongjiang Tianwu Technology Co., Ltd.; from March 2003 to June 2008, R&D Manager of Harbin Longwei Electronic Development Co., Ltd.; from January 2001 to June 2002, Senior Software Engineer at Shanghai Huawei Technology Co., Ltd. Mr. Jiao graduated from Harbin University of Science and Technology with a master's degree in communication engineering in 2008 and graduated from Harbin Institute of technology with a bachelor's degree in automotive engineering in 1996.

Family Relationships

Mr. Liu, our director, is the father of Ms. Liu, our Chairman, Chief Executive Officer and Corporate Secretary.

The Board and Committees

Our Board has an Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee.

Our Audit Committee, Compensation Committee, and Nomination and Corporate Governance Committee each complies with the listing requirements of the Nasdaq Marketplace Rules. At least one member of the Audit Committee is an "audit committee financial expert," as that term is defined in Item 407(d)(5)(ii) of Regulation S-K, and each member is "independent" as that term is defined in Rule 5605(a) of the Nasdaq Marketplace Rules. Our board has determined that Stephen Wong meets those requirements.

Audit Committee

Stephen Wong, Michael James Antonoplos and Yan Yang are the members of our Audit Committee and Stephen Wong serves as the chairperson. All members of our Audit Committee meet the independence standards promulgated by the SEC and by NASDAQ as such standards apply specifically to members of audit committees.

We adopted and approved a charter for the Audit Committee, which can be accessed at http://www.dataseainc.com/. In accordance with our Audit Committee Charter, our Audit Committee shall perform several functions, including:

- evaluate the independence and performance of, and assesses the qualifications of, our independent auditor, and engages such independent auditor;
- approve the plan and fees for the annual audit, quarterly reviews, tax and other audit-related services, and approves in advance any non-audit service to be provided by the independent auditor;
- monitor the independence of the independent auditor and the rotation of partners of the independent auditor on our engagement team as required by law;
- review the financial statements to be included in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and reviews with management and the independent auditors the results of the annual audit and reviews of our quarterly financial statements;
- oversee all aspects our systems of internal accounting control and corporate governance functions on behalf of the board;
- review and approves in advance any proposed related-party transactions and report to the full Board of Directors on any approved transactions; and
- provide oversight assistance in connection with legal, ethical and risk management compliance programs established by management and the Board of Directors, including Sarbanes-Oxley Act implementation, and makes recommendations to the Board of Directors regarding corporate governance issues and policy decisions.

It is determined that Stephen Wong possesses accounting or related financial management experience that qualifies him as an “audit committee financial expert” as defined by the rules and regulations of the SEC.

Compensation Committee

Yan Yang, Stephen Wong and Michael James Antonoplos are the members of our Compensation Committee and Yan Yang is the chairperson. All members of our Compensation Committee are qualified as independent under the current definition promulgated by NASDAQ. The board adopted and approved a charter for the Compensation Committee. In accordance with the Compensation Committee’s Charter, the Compensation Committee shall be responsible for overseeing and making recommendations to the Board of Directors regarding the salaries and other compensation of our executive officers and general employees and providing assistance and recommendations with respect to our compensation policies and practices. The Compensation Committee’s Charter can be accessed at http://www.dataseainc.com/.

Nomination and Corporate Governance Committee

Michael James Antonoplos, Yan Yang and Stephen Wong are the members of our Nomination and Corporate Governance Committee and Michael James Antonoplos serves as the chairperson. All members of our Nomination and Corporate Governance Committee are qualified as independent under the current definition promulgated by NASDAQ. The board adopted and approved a charter for the Nomination and Corporate Governance Committee prior to consummation of our initial listing on Nasdaq, which can be accessed at http://www.dataseainc.com/. In accordance with the Nomination and Corporate Governance Committee’s Charter, the Nomination and Corporate Governance Committee shall be responsible to identity and propose new potential director nominees to the Board of Directors for consideration and review our corporate governance policies.

Independence of the Board

As required under the Nasdaq Stock Market listing standards, a majority of the members of a listed company’s Board of Directors must qualify as “independent,” as affirmatively determined by the Board of Directors. Our Board has undertaken a review of the independence of each director. Based on information provided by each director concerning her or his background, employment, and affiliations, our board has determined that Stephen Wong, Michael James Antonoplos, and Yang Yan do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the listing requirements and rules of Nasdaq.

In making this determination, the Board found that none of these directors had a material or other disqualifying relationship with the Company.

Involvement in Certain Legal Proceedings

No director, person nominated to become a director, executive officer, promoter or control person of the Company has, during the last ten years: (i) been convicted in or is currently subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to any Federal or state securities or banking or commodities laws including, without limitation, in any way limiting involvement in any business activity, or finding any violation with respect to such law; (iii) has any bankruptcy petition been filed by or against the business of which such person was an executive officer or a general partner, whether at the time of the bankruptcy or for the two years prior thereto; (iv) been the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (a) Any Federal or State securities or commodities law or regulation; or (b) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (c) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; nor (v) been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member (covering stock, commodities or derivatives exchanges, or other SROs).

Code of Conduct and Ethics

We have adopted a written code of ethics that applies to all of our directors, officers and employees in accordance with the rules of the NASDAQ Stock Market and the SEC. We have filed a copy of our code of ethics as an exhibit to the Registration Statement on Form S-1 (No. 333-221906). You will be able to review these documents by accessing our public filings at the SEC's web site at *www.sec.gov*, or on our website at http://www.dataseainc.com/. In addition, a copy of the code of ethics will be provided without charge upon request to us at our principal executive office. We intend to disclose any amendments to or waivers of certain provisions of our code of ethics in a Current Report on Form 8-K.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and ten percent shareholders are required by regulation to furnish us with copies of all Section 16(a) forms they file. We believe that, during the fiscal year ended June 30, 2023, Fu Liu failed to timely file one Form 4 reporting one transaction, Zhixin Liu failed to timely file two Forms 4 reporting two transactions, Michael J. Antonoplos failed to timely file one Form 4 reporting one transaction and failed to file one Form 4 reporting one transaction, Stephen (Chun Kwok) Wong failed to timely file one Form 4 reporting one transaction, Mingzhou Sun failed to timely file one Form 4 reporting one transaction, Yan Yang failed to timely file one Form 4 reporting one transaction, and Chunqi Jiao failed to timely file one Form 4 reporting one transaction.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently or in the past year served as a member of the compensation committee of our Board.

Material Changes to the Procedures by which Security Holders May Recommend Nominees to the Board

There have been no material changes to the procedures by which our shareholders may recommend nominees to the Board.

Item 11. Executive Compensation.

The following table provides disclosure concerning all compensation paid for services to the executive officers of the Company in all capacities for our fiscal years ended June 30, 2023 and 2022, respectively, for (i) each person serving as our principal executive officer ("PEO"), (ii) each person serving as our principal financial officer ("PFO") and (iii) our two most highly compensated executive officers other than our PEO and PFO whose total compensation exceeded \$100,000 (collectively with the PEO, referred to as the "named executive officers" in this Executive Compensation section).

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Other Compensation ($)	Total ($)
Ms. Zhixin Liu (1)	2022	$ 47,018	—	—	—	—	$ 47,018
Chairman, CEO	2023	$ 43,219	—	—	—	—	$ 43,219
Mingzhou Sun	2022	$ 35,233					$ 35,233
CFO	2023	$ 34,564					$ 34,564
Chunqi Jiao	2022	$ 30,169					$ 30,169
CTO	2023	$ 28,396					$ 28,396

(1) Since January 1, 2017, the actual monthly salary Ms. Liu received was RMB 20,300 (approximately $3,056). According to the amendment to the employment agreement, Ms. Liu is entitled to a monthly salary of RMB 20,000 (approximately $3,011) plus any bonuses, transport allowances and housing allowances. Ms. Liu waived her rights of receiving any allowances or bonuses that have not been paid in fiscal years 2018 and 2017. Starting from July 1, 2019, Liu's monthly salary will be adjusted to RMB25,300 (about $,3,918), with a bonus of RMB300,000 ($46,460) to be paid under the contract. Starting from January 1, 2023, Ms.Liu's monthly salary was adjusted to RMB100,000 (about $14,406).Up to June 30 2023, RMB750,000($108,045) was payable to Zhixin Liu.

According to the agreement between Zhixin Liu and Datasea Inc., the Company grants to Ms. Zhixin Liu fifteen thousand (15,000) shares of the Company's common stock each month, starting from July 1, 2021, payable quarterly with the aggregate number of shares for each quarter being issuable on the first day of the next quarter at a per share price of the closing price of the day prior to the issuance and being vested immediately with the undertaking from the grantee not to divest in the six (6) months after the issuance. Up to June 30 2023, 225,000 shares of stock has not been issued to Zhixin Liu.

Option Grants in Last Fiscal Year

There were no options granted to our executive officers in the fiscal year ended June 30, 2023. The Company has no material policies and practices on the timing of awards of options in relation to the disclosure of material nonpublic information by the Company.

Employment Agreements

The Company does not have any written employment agreements with its officers other than the agreement described below.

Employment Contract – Zhixin Liu

We entered into an employment agreement with Ms. Zhixin Liu on February 11, 2018, pursuant to which she serves as our Chief Executive Officer until February 10, 2021 and receives a base monthly salary of RMB 20,000 (approximately $3,011). Ms. Liu is also eligible to receive bonuses, transport allowances and housing allowances. The entire package for Ms. Liu is for annual compensation of RMB 600,000 (approximately $90,340).From January 1, 2023, the basic monthly salary of RMB 25,000 (approximately $3,601). Ms Liu is also eligible for bonuses, transport allowances and housing subsidies. Ms. Liu's for annual compensation of RMB 1,200,000 (approximately $172,873) The employment agreement and its amendment may be terminated in accordance with the provisions of PRC Labor Law. The employment agreement also contains other customary terms under PRC law.

According to the agreement between Zhixin Liu and Datasea Inc., the Company grant to Ms. Zhixin Liu fifteen thousand (15,000) shares of the Company's common stock each month, starting from July 1, 2021, payable quarterly with the aggregate number of shares for each quarter being issuable on the first day of the next quarter at a per share price of the closing price of the day prior to the issuance and being vested immediately with the undertaking from the grantees not to divest in the six (6) months after the issuance.

Employment Contract – Mingzhou Sun

In connection with Ms. Sun's appointment, on August 1, 2021, the Company and Ms. Sun entered into an employment agreement (the "Employment Agreement"), pursuant to which Ms. Sun shall receive a monthly compensation of RMB20,000 (approximately $3,091). The term of the Employment Agreement is three years, with the first six months to be the probationary period. Ms. Sun's employment can be terminated upon both parties mutual consent. The Company may terminate the Employment Agreement if Ms. Sun does not meet the qualifications for this position during the probationary period. The Company may also terminate the Employment Agreement by giving 30 days' written notice upon the occurrence of certain events, including Ms. Sun's failure to perform her duties as the Company's Chief Financial Officer due to illness. Ms. Sun may terminate her employment with the Company immediately upon the occurrence of certain events, including the Company's failure to pay her salary in full on time. Ms. Sun's employment is also subject to customary benefits such as paid time off, sickness allowance, and other rights and benefits.

Equity Compensation Plan Information

On June 15, 2020, the Company filed a registration statement on Form S-8 to register the shares in connection with the Company's 2018 Plan adopted by the Board of Directors.

On August 22, 2018, our Board of Directors and majority stockholders adopted a 2018 Equity Incentive Plan, or the 2018 Plan, for our company to award shares of our common stock, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. Our Board of Directors or a designated committee thereof will have the ability in its discretion from time to time to make awards under the 2018 Plan, including to our officers and directors.

The following paragraphs describe the principal terms of the 2018 Plan.

Types of Awards. The 2018 Plan permits the awards of options, stock appreciation rights, restricted stock, restricted stock units, stock bonus awards and/or performance compensation awards.

Plan Administration. Our Board of Directors or a committee appointed by our Board of Directors will administer the 2018 Plan. Such plan administrator will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each grant.

Award Agreement. Awards granted under the 2018 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to our employees, directors and consultants or prospective employees, directors, officers, consultants or advisors who have accepted offers of employment or consultancy from our company or our affiliates.

Exercise of Options. The plan administrator determines the expiration date of each award. However, the term of any award may not exceed ten years from the date of a grant. If any such award is not exercised prior to expiration, the award will be deemed forfeited.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Amendment and Termination of the 2018 Plan. Our Board of Directors has the authority to amend, alter, suspend, discontinue, or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the recipient.

On June 19, 2023, the shareholders of the Company approved an amendment (the "Amendment No. 2") to the Company's 2018 Equity Incentive Plan at the Company's annual shareholder meeting. Pursuant to the Amendment No. 2, the number of shares of the Company's common stock reserved for issuance under the 2018 Equity Incentive Plan was increased from 14,000,000 shares of common stock to 24,000,000 shares of common stock.

Director Compensation

The following table shows for the fiscal year ended June 30, 2023, certain information with respect to the compensation of our directors.

Fiscal Year 2022 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Total ($)
Zhixin Liu*	—	—	—	—
Fu Liu	34,582	—	—	34.582
Michael James Antonoplos	18,000	—	18,000	36,000
Stephen (Chun Kwok) Wong	8.645	—	—	8.645
YanYang	—	—	—	—

* Ms. Liu, our Chief Executive Officer, is also the chair of our Board but does not receive any additional compensation for her service as a director. See the section titled "Executive Compensation" for more information regarding the compensation of Ms. Liu.

* Mr. Liu Fu, our Director and CO-Founder, but does not receive any compensation for his service as a director. He is also the chairman of Shuhai Beijing, $34,575 is the total salary received for his work and position of year 2023. The annual bonus is RMB 1,200,000 ($172,873), Up to June 30 2023, RMB840,000 ($121,011) is payable to Fu Liu. According to the agreement between Fu Liu and Datasea Inc., the Company grants to Mr. Liu ten thousand (10,000) shares of the Company's common stock each month, starting from July 1, 2021, payable quarterly with the aggregate number of shares for each quarter being issuable on the first day of the next quarter at a per share price of the closing price of the day prior to the issuance and being vested immediately with the undertaking from the grantee not to divest in the six (6) months after the issuance. Up to June 30 2023, 150,000 shares of stock is payable to Fu Liu.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information regarding the beneficial ownership of our common stock as of September 20, 2023 by our officers, directors and 5% or greater beneficial owners of common stock. There is no other person or group of affiliated persons, known by us to beneficially own more than 5% of our common stock.

We have determined beneficial ownership in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to those securities. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Unless otherwise indicated, the person identified in this table has sole voting and investment power with respect to all shares shown as beneficially owned by him, subject to applicable community property laws.

Name and Address of Beneficial Owner (2)	Number of Common Stock Beneficially Owned	Percent of Class Beneficially Owned (1)
5% or more stockholders		
Zhixin Liu (4)	10,294,295	31.40%
Fu Liu (3)	6,097,820	18.60%
Directors and Executive Officers:		
Mingzhou Sun	50,000	0.15%*
Michael James Antonoplos	10,000	0.03%*
Stephen (Chun Kwok) Wong	10,000	0.03%*
Yan Yang	10,000	0.03%*
Chunqi Jiao	50,000	0.15%*
All officers and directors as a group (seven persons)	**16,522,115**	**50.40%**

* less than 1%.

(1) Applicable percentage of ownership is based on 32,784,133 shares of common stock outstanding as of September 20, 2023 together with securities exercisable or convertible into common stock within 60 days as of the date hereof for each stockholder.

(2) Unless otherwise indicated, the address of our directors, officers and other shareholders disclosed above is 20th Floor, Tower B of Guorui Plaza, No.1 South Ronghua Road, Technological Development Zone, Beijing, People's Republic of China, 100176.

(3) Mr. Liu is a Director of the Company.

(4) Ms. Liu is the Chairman of the Board and our CEO.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The Company has identified Ms. Zhixin Liu, our CEO and President, as a related person, for the fiscal year ended June 30, 2023. For the purpose of business expansion, Heilongjiang Xungrui signed a new rental agreement with Ms. Liu on October 1, 2019 to meet the Company's operational needs. The rental term is from October 1, 2019 to September 30, 2021 with an annual rent around $23,293.85.

On January 1, 2019, the Company's President entered into a car rental agreement with the Company for two years. Pursuant to the agreement, the Company rents a car from the Company's President for a monthly rent of approximately $700. The agreement was replaced by a new agreement on November 30, 2019 for December 1, 2019 through December 31, 2020, with monthly rent of approximately $1,700, or total payment of $22,288, which was paid in full in advance as required by the agreement, and was recorded under right of use asset; at June 30, 2021 and 2020, the net ROU for auto leasing was $0 and $10,170.

On January 1, 2020, the Company's President entered into a car rental agreement with the Company for one year. Pursuant to the agreement, the Company rents a car from the Company's President for a monthly rent of RMB 20,000 ($2,849), or total payment of $34,188, which was paid in full in advance as required by the agreement and was recorded as prepaid expense since the lease term was not over one year, and not required to be accounted for as a ROU. This rental agreement was canceled in June 2020 and the unused rents of RMB 120,000 ($17,620) was returned to the Company. The Car Rental Agreement was renewed on July 1, 2021 for the period from July 1, 2021 to June 30, 2022, with a monthly rent of RMB18,000 ($2,787) and a total amount of RMB216,000 ($33,451).

The Company recorded car lease expense to the Company's President of $10,864 and $29,060 for the years ended June 30, 2021 and 2020.

In April 2020, the Company's President entered into a one-year apartment rental agreement with the Company for an apartment located in Harbin city as the Company's branch office with an annual rent of RMB 75,000 ($11,000). The term was from May 1, 2020 through April 30, 2021. On April 30, 2021, Xunrui entered a new one-year lease for this location with the Company's President for an annual rent of RMB 75,000 ($11,000), The rent expense for this agreement was $9,431 and $4,155 for the years ended June 30, 2021 and 2020, respectively.

On October 1, 2020, the Company's President entered into an office rental agreement with Xunrui. Pursuant to the agreement, the Company rents an office in Harbin city with a total payment of RMB 163,800 ($24,050) from October 1, 2020 through September 30, 2021. The rent expense for this agreement was $15,537 for the year ended June 30, 2021. The agreement was renewed for 7 months from October 1, 2021 to April 30, 2022 and monthly rental is RMB13,500 (US $2,090.72), and the total rent is RMB94,500 (US $14,635.05). Then the agreement was renewed again from May 1, 2022 to April 30, 2023, the monthly rental is RMB19,642.5 (US $3,042) and the annual rental is RMB235,710 (US $36,504)

In May 2023, our CEO signed an office lease agreement with Heilongjiang Xunrui Technology Co., Ltd. for a period of one year from May 1, 2023 to April 30, 2024, at an annual rent of RMB 282,852.00 (USD 40,756).

In July 2023, the CEO of the Company entered into two car rental agreements with Tianjin Information Sea Information Technology Co., LTD., one of which was for 12 months from July 1, 2023 to June 30, 2024, with a monthly rental of RMB 18,000 (USD 2,593) and an annual rental of RMB 216,000 (USD 31,123). The other agreement is for 12 months from July 01, 2023 to June 30, 2024, with a monthly rent of RMB20,000 (US $2,881) and an annual rent of RMB240,000 ($34,582).

As of June 30, 2023, the Company had balances due to related parties of $ 96,829.97 for car rental fee and $51,007.92 for lease house fee.

Item 14. Principal Accountant Fees and Services.

The following table sets forth fees billed to us by our previous independent registered public accounting firm, Kreit & Chiu CPA LLP (formerly Paris Kreit & Chiu CPA's LLC) for the fiscal years ended June 30, 2023 and 2022, respectively, for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services by our independent registered public accounting firms that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as audit fees; (iii) services rendered in connection with tax compliance, tax advice and tax planning; and (iv) all other fees for services rendered.

	2023	2022
Audit Fees	$ 137,500	$ 128,850
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
TOTAL	$ 137,500	$ 128,850

Pre-Approval Policies and Procedures

Our Board reviewed and approved all audit and non-audit services provided by our independent registered public accounting firms and has determined that their provision of such services to us during fiscal years ended June 30, 2022 and 2023 did not impair their independence.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) Financial Statements

Financial Statements and Report of Independent Registered Public Accounting Firms are set forth on pages F-1 through F-35 of this report.

(2) Financial Statement Schedules

Schedules are omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedule or because the information required is given in the consolidated financial statements or the notes thereto.

(3) Exhibits

Exhibit	Description
2.1	Share Exchange Agreement, dated October 29, 2015, by and among Datasea Inc., Shuhai Information Skill (HK) Limited, Zhixin Liu and Fu Liu, incorporated herein by reference to Exhibit 10.1 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
3.1	Articles of Incorporation, incorporated herein by reference to Exhibit 3.1 of the Registration Statement on Form S-1 filed on February 13, 2015.
3.2	First Amendment to Articles of Incorporation, dated May 27, 2015, incorporated herein by reference to Exhibit 3.1(ii) of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
3.3	Certificate of Change, dated November 12, 2015, incorporated herein by reference to Exhibit 3.1 of Form 8-K filed on November 19, 2015.
3.4	Amended and Restated Bylaws, adopted on August 20, 2015, incorporated herein by reference to Exhibit 3.2(ii) of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
3.5	Certificate of Amendment to Articles of Incorporation of Datasea Inc., incorporated herein by reference to Exhibit 3.1 of the Form 8-K filed on April 20, 2018.
4.1	Form of Underwriter’s Warrant, incorporated herein by reference to Exhibit 4.1 of the S-1/A filed on October 16, 2018.
4.2	Description of Our Common Stock, incorporated herein by reference to our Registration Statement on Form 8-A, dated and filed with the SEC on December 18, 2018.
10.1	Operation and Intellectual Property Service Agreement, dated October 20, 2015, by and among Tianjin Information Sea Information Technology Co., Ltd. and Shuhai Information Technology Co. Ltd., Fu Liu and Zhixin Liu, incorporated herein by reference to Exhibit 10.2 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
10.2	Shareholder’s Voting Rights Entrustment Agreement, dated October 27, 2015, by and among Tianjin Information Sea Information Technology Co., Ltd. and Shuhai Information Technology Co. Ltd., Fu Liu and Zhixin Liu, incorporated herein by reference to Exhibit 10.3 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
10.3	Option Agreement, dated October 27, 2015, by and between Tianjin Information Sea Information Technology Co., Ltd. and Fu Liu and Zhixin Liu, incorporated herein by reference to Exhibit 10.4 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
10.4	Equity Pledge Agreement, dated October 27, 2015 by and between Tianjin Information Sea Information Technology Co., Ltd. and Fu Liu and Zhixin Liu, incorporated herein by reference to Exhibit 10.5 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
10.5	Employment Agreement, dated February 11, 2015 by and between Shuhai Information Technology Co., Ltd. and Ms. Zhixin Liu, incorporated herein by reference to Exhibit 10.6 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
10.6	Translation of the Amendment to the Employment Agreement by and between Shuhai Information Technology Co., Ltd. and Ms. Zhixin Liu dated January 1, 2017, incorporated herein by reference to Exhibit 10.6 of the S-1/A filed on January 31, 2018.
10.7	Wireless Internet Access In Public Places Security Management and Control Systems Feature Collection Equipment Purchase Contract, dated January 8, 2016, by and between Shuhai Information Technology Co., Ltd. and Daqing City Public Security Bureau, incorporated herein by reference to Exhibit 10.7 of the Post-Effective Amendment No. 1 to Form S-1 filed on February 10, 2016.
10.8	The 2018 Equity Incentive Plan of Datasea Inc., incorporated herein by reference to Exhibit 10.14 of the Form 10-K for the year ended June 30, 2018 filed on September 13, 2018.
10.9	Form of Indemnification Escrow Agreement, incorporated herein by reference to Exhibit 10.9 of the S-1/A filed on October 16, 2018.
10.10	Translation of the Lease Agreement by and between Shuhai Information Technology Co., Ltd. and Beijing Chang Ning Machinery Electric Science and Technology Co., Ltd. dated December 29, 2017, incorporated herein by reference to Exhibit 10.10 of the S-1/A filed on January 31, 2018.

10.11	Translation of the Building Property Management Contract by and between Shuhai Information Technology Co., Ltd. and Zhuozhou City Changning Property Service Co., Ltd. dated December 29, 2017, incorporated herein by reference to Exhibit 10.11 of the S-1/A filed on January 31, 2018.
10.12	Translation of the Lease Agreement by and between Shuhai Information Technology Co., Ltd. and Beijing Chang Ning Machinery Electric Science and Technology Co., Ltd. dated December 8, 2016, incorporated herein by reference to Exhibit 10.12 of the S-1/A filed on January 31, 2018.
10.13	Translation of the Building Property Management Contract by and between Shuhai Information Technology Co., Ltd. and Beijing Changning Property Service Co., Ltd. dated December 8, 2016, incorporated herein by reference to Exhibit 10.13 of the S-1/A filed on January 31, 2018.
10.14	Employment Agreement, dated February 11, 2018, by and between Shuhai Information Technology Co., Ltd. and Ms. Zhixin Liu., incorporated herein by reference to Exhibit 10.14 of the S-1/A filed on April 5, 2018.
10.15	Translation of the Banking Service Direct Sales Cooperation Agreement Between China Minsheng Bank Co. and Shuhai Information Technology Co., Ltd. dated March 15, 2018, incorporated herein by reference to Exhibit 10.15 of the S-1/A filed on April 5, 2018.
10.16	Form of Director Offer Letter, incorporated herein by reference to Exhibit 10.18 of the S-1/A filed on October 16, 2018.
10.17	Translation of the Lease Agreement, dated July 30, 2019, by and between Shuhai Information Technology Co., Ltd. and Beijing Kaipeng Technology Co., Ltd., incorporated herein by reference to Exhibit 10.18 of the 10-K filed on October 15, 2019.
10.18	English Translation of the Lease Agreement, dated August 11, 2020, by and between Tianjin Information Sea Information Technology Co., Ltd. and Shenzhen Lvjing Real Estate Development Co., Ltd. incorporated herein by reference to Exhibit 10.18 of the Form 10-K filed on September 28, 2021.
10.19	English Translation of the Lease Agreement, dated August 26, 2020, by and between Tianjin Information Sea Information Technology Co., Ltd. and Hangzhou Zhexin Information Technology Co., LTD incorporated herein by reference to Exhibit 10.19 of the Form 10-K filed on September 28, 2021.
10.20	English Translation of the Supplementary Lease Agreement, dated January 14, 2021, by and among Tianjin Information Sea Information Technology Co., Ltd., Hangzhou Zhexin Information Technology Co., LTD and Hangzhou Shuhai Zhangxun Information Technology Co., Ltd. incorporated herein by reference to Exhibit 10.20 of the Form 10-K filed on September 28, 2021.
10.21	Common Stock Purchase Agreement, dated October 22, 2020, by and between Datasea, Inc. and Triton Funds LP, incorporated herein by reference to Exhibit 10.1 of the 8-K filed on October 23, 2020.
10.22	Form of Securities Purchase Agreement in connection with the registered direct offering closed on July 22, 2021, incorporated herein by reference to Exhibit 10.1 of the 8-K filed on July 22, 2021.
10.23	Placement Agency Agreement, dated July 20, 2021, by and between Datasea, Inc. and FT Global Capital, Inc., incorporated herein by reference to Exhibit 10.2 of the 8-K filed on July 22, 2021
10.24	English Translation of the Employment Agreement, dated August 1, 2021, by and between Datasea, Inc. and Mingzhou Sun, incorporated herein by reference to Exhibit 10.1 of the 8-K filed on August 4, 2021.
10.25	Amendment No. 1 to Datasea Inc. 2018 Equity Incentive Plan dated March 18, 2022 incorporated herein by reference to Exhibit 10.1 of the 8-K filed on May 2, 2022.
10.26	English Translation of the Office Purchase Agreement dated May 16, 2023, incorporated herein by reference to Exhibit 10.1 of the Form 8-K filed on May 22, 2023.
10.27	Amendment No. 2 to Datasea Inc.'s 2018 Equity Incentive Plan dated March 18, 2022 incorporated herein by reference to Exhibit 10.1 of the Form 8-K filed on June 20, 2023.
10.28	Securities Purchase Agreement, dated August 1, 2023, incorporated herein by reference to Exhibit 10.1 of the Form 8-K filed on August 7, 2023.
10.29	Securities Purchase Agreement, dated August 1, 2023, incorporated herein by reference to Exhibit 10.2 of the Form 8-K filed on August 7, 2023.
10.30	Securities Purchase Agreement, dated August 15, 2023, incorporated herein by reference to Exhibit 10.1 of the Form 8-K filed on August 16, 2023.
10.31	Underwriting Agreement, dated September 11, 2023, by and between the Company and EF Hutton, incorporated herein by reference to Exhibit 1.1 of the Form 8-K filed on September 12, 2023.
10.32	English translation of the Supplementary Agreement to the Subscription Agreement dated September 10, 2023, incorporated herein by reference to Exhibit 99.1 of the Form 8-K filed on September 14, 2023.
14.1	Code of Ethics, incorporated herein by reference to Exhibit 14.1 of the S-1/A filed on October 16, 2018.
21.1*	Subsidiaries of the Company
23.1*	Kreit & Chiu CPA LLP Consent
31.1*	Certification by Chief Executive Officer pursuant to Sarbanes Oxley Section 302
31.2*	Certification by Chief Financial Officer pursuant to Sarbanes Oxley Section 302
32.1*	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document XBRL
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

Item 16. Form 10–K Summary.

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DATASEA INC.

Date: September 27, 2023

By: /s/ Zhixin Liu
Name: Zhixin Liu
Title: Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Zhixin Liu Zhixin Liu	Chief Executive Officer, President, Corporate Secretary and Chair of the Board	September 27, 2023
/s/ Mingzhou Sun Mingzhou Sun	Chief Financial Officer (Principal Accounting and Financial Officer)	September 27, 2023
/s/ Fu Liu Fu Liu	Director	September 27, 2023
/s/ Michael James Antonoplos Michael James Antonoplos	Independent Director	September 27, 2023
/s/ Yan Yang Yan Yang	Independent Director	September 27, 2023
/s/ Stephen (Chun Kwok) Wong Stephen (Chun Kwok) Wong	Independent Director	September 27, 2023

DATASEA INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

DATASEA INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Datasea Inc.

Opinion on the Financial Statements

We have audited the consolidated balance sheets of Datasea Inc. and its subsidiaries (the “Company”) as of June 30, 2023 and 2022 and the related consolidated statements of operations and comprehensive loss, changes in stockholders’ equity, and cash flows for each of the two years in the period ended June 30, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the entity’s management. Our responsibility is to express an opinion on the entity’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Going Concern- Refer to Note 2 to the financial statements
Critical Audit Matter Description

The Company had an accumulated deficit of $28.06 million and incurred a net loss from operations of approximately $9.48 million as of and for the year end June 30, 2023. The Company has had recurring losses from operations which has raised substantial doubt about the entity’s ability to continue as a going concern.

How the Critical Audit Matter was Addressed in the Audit

Our principal procedures to address this matter were to obtain cash flow forecast from the Company, evaluate the reasonableness of the forecast, and test the receipt of cash subsequent to June 30, 2023. The Company received $7.83 million subsequent to June 30, 2023. This alleviated the going concern uncertainty at least for a period of twelve months from the date of issuance of the financial statements.

/s/ Kreit & Chiu CPA LLP (formerly known as Paris, Kreit & Chiu CPA LLP)

We have served as the Company’s auditor since 2021.

Los Angeles, California
September 27, 2023

Auditor’s name: Kreit & Chiu CPA LLP

Location: New York, New York

Firm ID: 6651

DATASEA INC.
CONSOLIDATED BALANCE SHEETS

	JUNE 30, 2023	JUNE 30, 2022
ASSETS		
CURRENT ASSETS		
Cash	$ 19,728	$ 164,217
Accounts receivable	255,725	259,410
Inventory, net	241,380	211,353
Value-added tax prepayment	71,261	46,509
Prepaid expenses and other current assets	701,423	575,312
Total current assets	1,289,517	1,256,801
NONCURRENT ASSETS		
Security deposit for rents	-	17,181
Long-term investment	55,358	29,800
Property and equipment, net	85,930	187,831
Intangible assets, net	1,185,787	1,741,791
Right-of-use assets, net	137,856	522,273
Total noncurrent assets	1,464,931	2,498,876
TOTAL ASSETS	$ 2,754,448	$ 3,755,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,005,059	$ 197,573
Short term loan	594,906	-
Unearned revenue	609,175	289,888
Accrued expenses and other payables	1,409,939	994,884
Due to related parties	1,162,856	102,331
Loan payables - current	-	81,950
Operating lease liabilities	124,640	457,949
Total current liabilities	4,906,575	2,124,575
NONCURRENT LIABILITIES		
Operating lease liabilities	26,449	31,470
Loan payables - non-current	1,401,521	-
Total noncurrent liabilities	1,427,970	31,470
TOTAL LIABILITIES	6,334,545	2,156,045
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $0.001 par value, 375,000,000 shares authorized, 27,784,133 and 24,324,633 shares issued and outstanding as of June 30, 2023 and 2022 , respectively	27,784	24,325
Additional paid-in capital	24,122,973	20,729,559
Accumulated comprehensive income	393,252	283,587
Accumulated deficit	(28,063,258)	(18,583,566)
TOTAL COMPANY STOCKHOLDERS' EQUITY （DEFICIT)	(3,519,249)	2,453,905
Noncontrolling interest	(60,848)	(854,273)
TOTAL EQUITY (DEFICIT)	(3,580,097)	1,599,632
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 2,754,448	$ 3,755,677

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

DATASEA INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	YEARS ENDED JUNE 30,	
	2023	2022
Revenues	$ 7,045,311	$ 17,080,911
Cost of goods sold	6,704,380	16,125,238
Gross profit	340,931	955,673
Operating expenses		
Selling	690,731	1,358,203
General and administrative	8,414,400	5,574,985
Research and development	921,020	1,259,739
Total operating expenses	10,026,151	8,192,927
Loss from operations	(9,685,220)	(7,237,254)
Non-operating income (expenses)		
Other income (expense)	(13,014)	75,075
Interest income	219	50,497
Total non-operating income (expenses), net	(12,795)	125,572
Loss before income tax	(9,698,015)	(7,111,682)
Income tax	-	-
Loss before noncontrolling interest	(9,698,015)	(7,111,682)
Less: (loss) income attributable to noncontrolling interest	(218,323)	(589,974)
Net loss to the Company	(9,479,692)	(6,521,708)
Other comprehensive item		
Foreign currency translation gain attributable to the Company	109,665	10,337
Foreign currency translation gain (loss) attributable to noncontrolling interest	29,734	(22,356)
Comprehensive loss attributable to the Company	$ (9,370,027)	$ (6,511,371)
Comprehensive loss attributable to noncontrolling interest	$ (188,589)	$ (612,330)
Basic and diluted net loss per share	$ (0.38)	$ (0.27)
Weighted average shares used for computing basic and diluted loss per share	24,951,868	23,956,393

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

DATASEA INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 2023 AND 2022

	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Total	Noncontrolling interest
	Shares	Amount					
Balance at July 1, 2021	21,474,138	$ 21,474	$ 12,086,788	$ (12,061,858)	$ 273,250	$ 319,654	$ (241,943)
Net loss	-	-	-	(6,521,708)	-	(6,521,708)	(589,974)
Issuance of common stock for equity financing	2,436,904	2,437	7,679,359	-	-	7,681,796	-
Shares issued for stock compensation expense	246,479	247	641,754	-	-	642,001	-
Capital contribution to Shuhai Beijing from a major shareholder	-	-	62,802	-	-	62,802	-
Shares issued for paying officers' accrued salary	167,112	167	258,856	-	-	259,023	-
Foreign currency translation gain (loss)	-	-	-	-	10,337	10,337	(22,356)
Balance at June 30, 2022	24,324,633	24,325	20,729,559	(18,583,566)	283,587	2,453,905	(854,273)
Net loss	-	-	-	(9,479,692)	-	(9,479,692)	(218,323)
Shares issued for stock compensation expense	3,459,500	3,459	4,375,428	-	-	4,378,887	-
Purchase of minority interest ownership	-	-	(982,014)	-	-	(982,014)	982,014
Foreign currency translation gain	-	-	-	-	109,665	109,665	29,734
Balance at June 30, 2023	27,784,133	$ 27,784	$ 24,122,973	$ (28,063,258)	$ 393,252	$ (3,519,249)	$ (60,848)

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

DATASEA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED JUNE 30	
	2023	**2022**
Cash flows from operating activities:		
Loss including noncontrolling interest	$ (9,698,015)	$ (7,111,682)
Adjustments to reconcile loss including noncontrolling interest to net cash used in operating activities:		
Loss on disposal of fixed assets	2,443	916
Depreciation and amortization	701,430	577,822
Bad debt expense (reversal)	(50,421)	284,958
Operating lease expense	620,696	863,691
Stock compensation expense	4,378,887	642,000
Changes in assets and liabilities:		
Accounts receivable	(15,387)	(267,771)
Inventory	(46,919)	(25,323)
Value-added tax prepayment	(29,212)	123,313
Prepaid expenses and other current assets	(141,545)	(224,285)
Accounts payable	839,735	26,236
Unearned revenue	353,849	111,689
Deferred revenue	-	(46,461)
Accrued expenses and other payables	523,534	741,328
Payment on operating lease liabilities	(575,156)	(836,143)
Net cash used in operating activities	(3,136,081)	(5,139,712)
Cash flows from investing activities:		
Acquisition of property and equipment	(3,881)	(51,340)
Acquisition of intangible assets	(80,438)	(1,051,111)
Long-term investment	(28,812)	(30,973)
Net cash used in investing activities	(113,131)	(1,133,424)
Cash flows from financing activities:		
Due to related parties	1,110,238	37,042
Proceeds of loan payables	2,197,400	-
(Repayment) of loan payables	(198,431)	(1,402,336)
Proceeds from capital contribution from a major shareholder	-	62,802
Net proceeds from issuance of common stock	-	7,681,796
Net cash provided by financing activities	3,109,207	6,379,304
Effect of exchange rate changes on cash	(4,484)	8,373
Net increase (decrease) in cash	(144,489)	114,541
Cash, beginning of year	164,217	49,676
Cash, end of year	$ 19,728	$ 164,217
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 25,501	$ -
Cash paid for income tax	$ -	$ -
Supplemental disclosures of non-cash operating, investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 241,093	$ -
Transfer of prepaid software development expenditure to intangible assets	$ -	$ 50,000
Shares issued for accrued bonus to officers	$ -	$ 259,023

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

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Datasea Inc. (the "Company", or "we", "us", "our") was incorporated in the State of Nevada on September 26, 2014 under the name Rose Rock Inc. and changed its name to Datasea Inc. on May 27, 2015. On May 26, 2015, the Company's founder, Xingzhong Sun, sold 6,666,667 shares of common stock, par value $0.001 per share, of the Company (the "Common Stock") to Zhixin Liu ("Ms. Liu"), an owner of Shuhai Skill (HK) as defined below. On October 27, 2016, Mr. Sun sold his remaining 1,666,667 shares of Common Stock of the Company to Ms. Liu. As a holding company with no material operations, the Company conducts a majority of its business activities through organizations established in the People's Republic of China ("PRC), primarily by variable interest entity (the "VIE"). The Company does not have any equity ownership of its VIE, instead it controls and receives economic benefits of the VIE's business operations through certain contractual arrangements.

On October 29, 2015, the Company entered into a share exchange agreement (the "Exchange Agreement") with the shareholders (the "Shareholders") of Shuhai Information Skill (HK) Limited ("Shuhai Skill (HK)"), a limited liability company ("LLC") incorporated on May 15, 2015 under the laws of the Hong Kong Special Administrative Region of the People's Republic of China (the "PRC"). Pursuant to the terms of the Exchange Agreement, the Shareholders, who own 100% of Shuhai Skill (HK), transferred all of the issued and outstanding ordinary shares of Shuhai Skill (HK) to the Company for 6,666,667 shares of Common Stock, causing Shuhai Skill (HK) and its wholly owned subsidiaries, Tianjin Information Sea Information Technology Co., Ltd. ("Tianjin Information" or "WOFE"), an LLC incorporated under the laws of the PRC, and Harbin Information Sea Information Technology Co., Ltd., an LLC incorporated under the laws of the PRC, to become wholly-owned subsidiaries of the Company; and Shuhai Information Technology Co., Ltd., also an LLC incorporated under the laws of the PRC ("Shuhai Beijing"), to become a VIE of the Company through a series of contractual agreements between Shuhai Beijing and Tianjin Information. The transaction was accounted for as a reverse merger, with Shuhai Skill (HK) and its subsidiaries being the accounting survivor. Accordingly, the historical financial statements presented are those of Shuhai Skill (HK) and its consolidated subsidiaries and VIE.

Following the Share Exchange, the Shareholders, Zhixin Liu and her father, Fu Liu, owned approximately 82% of the Company's outstanding shares of Common Stock. As of October 29, 2015, there were 18,333,333 shares of Common Stock issued and outstanding, 15,000,000 of which were beneficially owned by Zhixin Liu and Fu Liu.

After the Share Exchange, the Company, through its consolidated subsidiaries and VIE provide smart security solutions primarily to schools, tourist or scenic attractions and public communities in China.

On October 16, 2019, Shuhai Beijing incorporated a wholly owned subsidiary, Heilongjiang Xunrui Technology Co. Ltd. ("Xunrui"), which develops and markets the Company's smart security system products.

On December 3, 2019, Shuhai Beijing formed Nanjing Shuhai Equity Investment Fund Management Co. Ltd. ("Shuhai Nanjing"), a joint venture in PRC, in which Shuhai Beijing holds a 99% ownership interest with the remaining 1% held by Nanjing Fanhan Zhineng Technology Institute Co. Ltd, an unrelated party that was supported by both Nanjing Municipal Government and Beijing University of Posts and Telecommunications. Shuhai Nanjing was formed for gaining the easy access to government funding and private financing for the Company's new technology development and new project initiation.

In January 2020, the Company acquired ownership in three entities for no consideration from the Company's management, which set up such entities on the Company's behalf (described below).

On January 3, 2020, Shuhai Beijing entered into two equity transfer agreements (the "Transfer Agreements") with the President, and a Director of the Company. Pursuant to the Transfer Agreements, the Director and the President, each agreed, for no consideration, to (i) transfer his 51% and 49% respective ownership interests, in Guozhong Times (Beijing) Technology Ltd. ("Guozhong Times") to Shuhai Beijing; and (ii) transfer his 51% and 49% respective ownership interests, in Guohao Century (Beijing) Technology Ltd. ("Guohao Century") to Shuhai Beijing. Guozhong Times and Guohao Century were established to develop technology for electronic products, intelligence equipment and accessories, and provide software and information system consulting, installation and maintenance services.

On January 7, 2020, Shuhai Beijing entered into another equity transfer agreement with the President, the Director described above and an unrelated individual. Pursuant to this equity transfer agreement, the Director, the President and the unrelated individual each agreed to transfer his 51%, 16%, 33% ownership interests, in Guozhong Haoze (Beijing) Technology Ltd. (“Guozhong Haoze”) to Shuhai Beijing for no consideration. Guozhong Haoze was formed to develop and market the smart security system products.

On August 17, 2020, Beijing Shuhai formed a new wholly-owned subsidiary Shuhai Jingwei (Shenzhen) Information Technology Co., Ltd (“Jingwei”), to expand the security oriented systems developing, consulting and marketing business overseas.

On November 16, 2020, Guohao Century formed Hangzhou Zhangqi Business Management Limited Partnership (“Zhangqi”) with ownership of 99% as an ordinary partner.

On November 19, 2020, Guohao Century formed a 51% owned subsidiary Hangzhou Shuhai Zhangxun Information Technology Co., Ltd (“Zhangxun”) for research and development of 5G message technology. Zhangqi owns 19% of Zhangxun; accordingly, Guohao Century ultimately owns 69.81% of Zhangxun. On December 20, 2022, Guohao Century acquired a 30% ownership interests of Zhangxun from Zhengmao Zhang at the price of $0.15 (RMB 1.00). After the transaction, Guohao Century owns 81% of Zhangxun, and Zhangqi owns 19% of Hangzhou Zhangxun; On February 15, 2023, Guohao Century acquired a 9% ownership interests of Zhangxun from the Zhangqi at the price of $130,434 (RMB 900,000). After the transaction, Guohao Century owns 90% of Zhangxun, and Zhangqi owns 10% of Hangzhou Zhangxun; as a result, Guohao Century ultimately owns 99.9 % of Zhangxun.

On February 16, 2022, Shuhai Jingwei formed Shenzhen Acoustic Effect Management Limited Partnership (“Shenzhen Acoustic MP”) with 99% ownership interest, the remaining 1% ownership interest is held by a third party.

On February 16, 2022, Shuhai Jingwei formed Shuhai (Shenzhen) Acoustic Effect Technology Co., Ltd (“Shuhai Shenzhen Acoustic Effect”), a PRC Company, in which Shuhai Jingwei holds 60% ownership interest, 10% ownership interest is held by Shenzhen Acoustic MP, and remaining 30% ownership interest is held by a third party. On October 18, 2022, Shuhai Jingwei acquired 30% ownership interest of Shuhai Acoustic Effect, a PRC Company from the third party at the price of approximately $0.15 (RMB 1.00). After the transaction, Shuhai Jingwei owns 90% of Shuhai Shenzhen Effect, and Shenzhen Acoustic MP still owns 10% of Shuhai Shenzhen Effect; accordingly, Shuhai Jingwei ultimately owns 100% of Shuhai Acoustic Effect. The book value of 30% interest acquired from the third party was $(26,993) due to its accumulated deficit.

On March 4, 2022, Shuhai Beijing formed Beijing Yirui Business Management Development Center (“Yirui”) with 99% ownership interest as an ordinary partner, the remaining 1% ownership interest is held by Zhixin Liu.

On March 4, 2022, Shuhai Beijing formed Beijing Yiying Business Management Development Center (“Yiying”) with 99% ownership interest as an ordinary partner, the remaining 1% ownership interest is held by Zhixin Liu.

Impact of Coronavirus Outbreak

On December 7, 2022, the joint prevention and control mechanism of the State Council of China issued a notice, announcing ten targeted measures to further optimize epidemic prevention and control (hereinafter referred to as the “New Ten Rules”). This is a major adjustment made by the Chinese authorities to the previous epidemic control policy. Later, Beijing, Shanghai, Chongqing, Guangzhou and other cities in China announced the follow-up implementation of the “New Ten Rules”. The introduction of the New Ten Rules announced that China’s previous “dynamic zero” epidemic prevention policy had officially come to an end. So far, except for some special medical key places, people do not need to provide nucleic acid test negative reports when traveling. During the period when the new policy was introduced, the number of COVID-19 cases in China has increased significantly, and people’s focus on COVID-19 has shifted from pre protection to better indoor living environment to avoid repeated infection.

Facing challenges that are also opportunities, the needs for air sterilization has likely become a permanent way of life for many and will likely continue into common. Datasea has developed five models Air Sterilizers under its in-house advanced acoustic intelligence technology, to target public and private application scenarios such as hospitals, airport, logistic warehouse, cold chain transportation and home care. In December 3, 2022, the Company unveiled national Hailijia air sterilizer product campaign with an online event and offline product showcases in various cities in China, with more than 50 institutions specializing in trade and distribution from China, Southeast Asia, and the Middle East participated. During the product campaign, Datasea has entered into several marketing and distribution agreements (total amount is approximately $20 Million) in order to expand the business and reach to customers and sell certain Hailijia air sterilizers and purifiers in China.

Currently, after the rapid outbreak of COVID-19 pandemic in China at end of 2023 and earlier 2023, China's epidemic related control policies have been completely abolished, and retaliatory consumption generated after three years of continuous control and relaxation, but does not include epidemic related products; In addition, the market generally believes that effective antibodies will be available within 6 months after infection, so there may be a phased decline in demand for disinfection products before the possible resurgence of the COVID-19 pandemic in the future and may had a material impact on the Company's earnings. However, in the post epidemic era, in the face of the recurrence of COVID-19 and the prevalence of H1N1 influenza in China, the needs for air sterilization and less contact have likely become a permanent way of life for many and may lead to a rebound in demand for new disinfection and sterilization equipment.

In addition, the company actively prepares for the overseas export of disinfection and sterilization equipment to expand the global market. Despite the headwinds of the previous quarter, Datasea's recent business developments indicate the Company's resiliency and progress in general business developments, contract acquisitions, product upgrades, marketing efforts, and industry recognition. The company will soon launch non-contact ultrasonic beauty instruments to meet more home care needs.

We currently believe that our financial situation will benefit us through the new products and rising demands. However, we may need to raise capital to accompany the business development in the future.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOING CONCERN

The accompanying consolidated financial statements ("CFS") were prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business. For the years ended June 30, 2023 and 2022, the Company had a net loss of approximately $9.48 million and $6.52 million, respectively. The Company had an accumulated deficit of approximately $28.06 million as of June 30, 2023, and negative cash flow from operating activities of approximately $3.14 million and $5.14 million for the years ended June 30, 2023 and 2022, respectively. The historical operating results including recurring losses from operations which raise doubt about the Company's ability to continue as a going concern.

On August 1, 2023, the Company entered into two separate subscription agreements with a certain non-U.S. investor, pursuant to which the Company agreed to sell and the investor agreed to purchase an aggregate of 4,760,000 shares of common stock at a $1.2 per share purchase price. On September 21, 2023, the Company received full payment of RMB 40,000,000 ($5.71 million) from the investor.

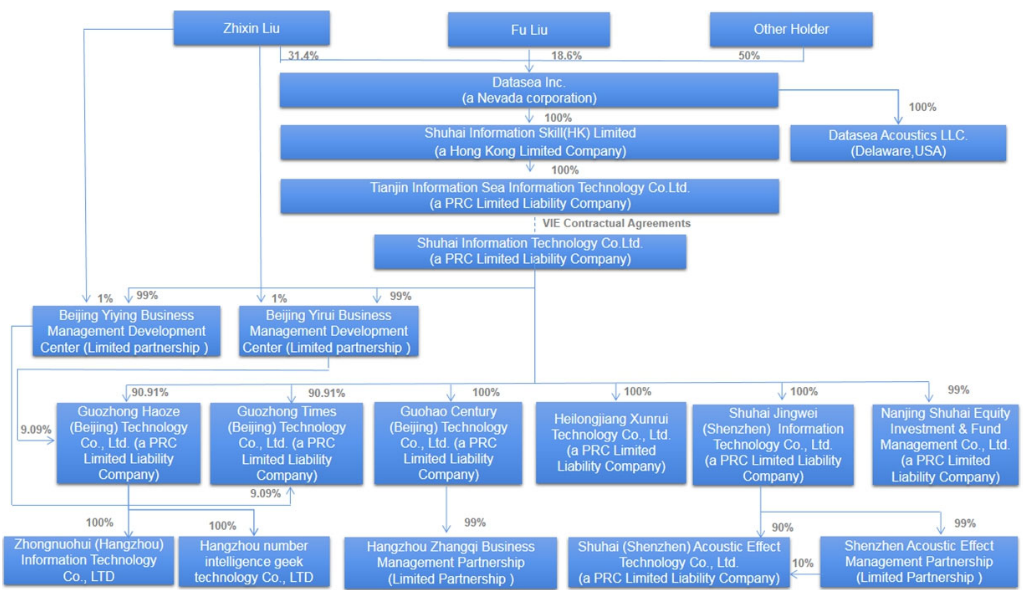
On August 15, 2023, the Company entered into a subscription agreement with a non-U.S. investor, pursuant to which the Company agreed to sell and the investor agreed to purchase an aggregate of 2,962,963 shares of common stock at a $1.35 per share purchase price, with a total subscription price of $4,000,000. The investor paid the amount of $714,286 to the Company as of the date of this report.

On September 13, 2023, the Company closed an underwritten public offering of 5,000,000 shares of common stock at a public offering price of $0.40 per share. The gross proceeds to the Company from this offering are approximately $2 million, before deducting any fees or expenses. As of the report date, the Company received $1.6 million net proceeds from this offering.

If deemed necessary, management could seek to raise additional funds by way of admitting strategic investors or. Private or public offerings, or by seeking to obtain loans from banks or others, to support the Company's research and development ("R&D"), procurement, marketing and daily operation. While management of the Company believes in the viability of its strategy to generate sufficient revenues and its ability to raise additional funds on reasonable terms and conditions, there can be no assurances to that effect. The ability of the Company to continue as a going concern depends upon the Company's ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering. There is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. There is also no assurance that the amount of funds the Company might raise will enable the Company to complete its initiatives or attain profitable operations. If the Company is unable to raise additional funding to meet its working capital needs in the future, it may be forced to delay, reduce or cease its operations.

BASIS OF PRESENTATION AND CONSOLIDATION

The CFS were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the SEC regarding CFS. The accompanying CFS include the financial statements of the Company and its 100% owned subsidiaries Shuhai Information Skill (HK) Limited ("Shuhai Skill (HK)"), and Shuhai Information Technology Co., Ltd. ("Tianjin Information"), and its VIE, Shuhai Beijing, and Shuhai Beijing's 100% owned subsidiaries – Heilongjiang Xunrui Technology Co. Ltd. ("Xunrui"), Guozhong Times (Beijing) Technology Ltd. ("Guozhong Times"), Guohao Century (Beijing) Technology Ltd. ("Guohao Century"), Guozhong Haoze, and Shuhai Jingwei (Shenzhen) Information Technology Co., Ltd. ("Jingwei"), and Guohao Century's 99% owned subsidiary – Hangzhou Zhangqi Business Management Partnership ("Zhangqi", a limited partnership) and 99.81% owned subsidiary – Hangzhou Shuhai Zhangxun Information Technology Co., Ltd. ("Zhangxun") which consisted of 90% ownership from Guohao Century and 10% ownership from Zhangqi, and Shuhai Beijing's 99% owned subsidiary–- Nanjing Shuhai Equity Investment Fund Management Co. Ltd. ("Shuhai Nanjing"). During the year ended June 30, 2022, the Company incorporated two new subsidiaries Shuhai (Shenzhen) Acoustic Effect Technology Co., Ltd ("Shuhai Acoustic") and Shenzhen Acoustic Effect Management Partnership ("Shenzhen Acoustic MP"). All significant inter-company transactions and balances were eliminated in consolidation. The chart below depicts the corporate structure of the Company as of September 20, 2023.



VARIABLE INTEREST ENTITY

Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Section 810, "Consolidation" ("ASC 810"), the Company is required to include in its CFS, the financial statements of Shuhai Beijing, its VIE. ASC 810 requires a VIE to be consolidated if the Company is subject to a majority of the risk of loss for the VIE or is entitled to receive a majority of the VIE's residual returns. A VIE is an entity in which a company, through contractual arrangements, bears the risk of, and enjoys the rewards of such entity, and therefore the Company is the primary beneficiary of such entity.

Under ASC 810, a reporting entity has a controlling financial interest in a VIE, and must consolidate that VIE, if the reporting entity has both of the following characteristics: (a) the power to direct the activities of the VIE that most significantly affect the VIE's economic performance; and (b) the obligation to absorb losses, or the right to receive benefits, that could potentially be significant to the VIE. The reporting entity's determination of whether it has this power is not affected by the existence of kick-out rights or participating rights, unless a single enterprise, including its related parties and de - facto agents, have the unilateral ability to exercise those rights. Shuhai Beijing's actual stockholders do not hold any kick-out rights that affect the consolidation determination.

Through the VIE agreements, Tianjin Information, an indirect subsidiary of Datasea is deemed the primary beneficiary of Shuhai Beijing and its subsidiaries. Accordingly, the results of Shuhai Beijing and its subsidiaries were included in the accompanying CFS. Shuhai Beijing has no assets that are collateral for or restricted solely to settle their obligations. The creditors of Shuhai Beijing do not have recourse to the Company's general credit.

VIE Agreements

Operation and Intellectual Property Service Agreement – The Operation and Intellectual Property Service Agreement allows Tianjin Information Sea Information Technology Co., Ltd ("WFOE") to manage and operate Shuhai Beijing and collect an operating fee equal to Shuhai Beijing's pre-tax income, per month. If Shuhai Beijing suffers a loss and as a result does not have pre-tax income, such loss shall be carried forward to the following month to offset the operating fee to be paid to WFOE if there is pre-tax income of Shuhai Beijing the following month. Furthermore, if Shuhai Beijing cannot pay off its debts, WFOE shall pay off the debt on Shuhai Beijing's behalf. If Shuhai Beijing's net assets fall lower than its registered capital balance, WFOE shall provide capital for Shuhai Beijing to make up for the deficit.

Under the terms of the Operation and Intellectual Property Service Agreement, Shuhai Beijing entrusts Tianjin Information to manage its operations, manage and control its assets and financial matters, and provide intellectual property services, purchasing management services, marketing management services and inventory management services to Shuhai Beijing. Shuhai Beijing and its stockholders shall not make any decisions nor direct the activities of Shuhai Beijing without Tianjin Information's consent.

Stockholders' Voting Rights Entrustment Agreement – Tianjin Information has entered into a stockholders' voting rights entrustment agreement (the "Entrustment Agreement") under which Zhixin Liu and Fu Liu (collectively the "Shuhai Beijing Stockholders") have vested their voting power in Shuhai Beijing to Tianjin Information or its designee(s). The Entrustment Agreement does not have an expiration date, but the parties can agree in writing to terminate the Entrustment Agreement. Zhixin Liu, is the Chairman of the Board, President, CEO of DataSea and Corporate Secretary, and Fu Liu, a Director of the DataSea (Fu Liu is the father of Zhixin Liu).

Equity Option Agreement – the Shuhai Beijing Stockholders and Tianjin Information entered into an equity option agreement (the "Option Agreement"), pursuant to which the Shuhai Beijing Stockholders have granted Tianjin Information or its designee(s) the irrevocable right and option to acquire all or a portion of Shuhai Beijing Stockholders' equity interests in Shuhai Beijing for an option price of RMB0.001 for each capital contribution of RMB1.00. Pursuant to the terms of the Option Agreement, Tianjin Information and the Shuhai Beijing Stockholders have agreed to certain restrictive covenants to safeguard the rights of Tianjin Information under the Option Agreement. Tianjin Information agreed to pay RMB1.00 annually to Shuhai Beijing Stockholders to maintain the option rights. Tianjin Information may terminate the Option Agreement upon prior written notice. The Option Agreement is valid for a period of 10 years from the effective date and renewable at Tianjin Information's option.

Equity Pledge Agreement – Tianjin Information and the Shuhai Beijing Stockholders entered into an equity pledge agreement on October 27, 2015 (the "Equity Pledge Agreement"). The Equity Pledge Agreement serves to guarantee the performance by Shuhai Beijing of its obligations under the Operation and Intellectual Property Service Agreement and the Option Agreement. Pursuant to the Equity Pledge Agreement, Shuhai Beijing Stockholders have agreed to pledge all of their equity interests in Shuhai Beijing to Tianjin Information. Tianjin Information has the right to collect any and all dividends, bonuses and other forms of investment returns paid on the pledged equity interests during the pledge period. Pursuant to the terms of the Equity Pledge Agreement, the Shuhai Beijing Stockholders have agreed to certain restrictive covenants to safeguard the rights of Tianjin Information. Upon an event of default or certain other agreed events under the Operation and Intellectual Property Service Agreement, the Option Agreement and the Equity Pledge Agreement, Tianjin Information may exercise the right to enforce the pledge.

As of this report date, there were no dividends paid from the VIE to the U.S. parent company or the shareholders of the Company. There has been no change in facts and circumstances to consolidate the VIE. The following financial statement amounts and balances of the VIE were included in the accompanying CFS as of June 30, 2023 and 2022, and for the years ended June 30, 2023 and 2022, respectively.

The following is the tabular form condensed consolidating schedule depicting the financial position, cash flows and results of operations for the parent, the subsidiary, WOFE, and the consolidated variable interest entity, and any eliminating adjustments separately as of and for the years ending June 30, 2023 and 2022, respectively.

Condensed Consolidating Statements of Income Information

	Year Ended June 30, 2023					
	PARENT	**SUBSIDIARY - HK entity**	**WOFE**	**VIE**	**Elimination**	**Consolidated**
Revenue - third parties	$ -	$ -	$ -	$ 7,045,311		$ 7,045,311
Revenue -Parent provide service to VIE	453,500				(453,500)	-
Revenue - WOFE's label that is used by VIE			81,544		(81,544)	-
Revenue - from VIE's label that is used by WOFE				751,125	(751,125)	-
Cost of Revenue - third parties				6,704,380		6,704,380
Gross profit	453,500		81,544	1,092,056	(1,286,169)	340,931
Operating expenses	5,082,029	366,767	766,269	3,811,086		10,026,151
Operating expenses -VIE cost that was purchased from WOFE				81,544	(81,544)	-
Operating expenses -WOFE cost that was purchased from VIE			751,460		(751,460)	-
Operating expenses -VIE cost that service provided by Parent				453,500	(453,500)	-
Loss from operations	(4,628,529)	(366,767)	(1,436,185)	(3,253,739)		(9,685,220)
Other income (expenses), net	(1,005)	(584)	(5,260)	(5,946)		(12,795)
Income tax expense						-
Loss before noncontrolling interest	(4,629,534)	(367,351)	(1,441,455)	(3,259,685)		(9,698,015)
Less: loss attributable to noncontrolling interest				(218,323)		(218,323)
Net loss to the Company	(4,629,534)	(367,351)	(1,441,445)	(3,041,362)	-	(9,479,692)

	Year Ended June 30, 2022					
	PARENT	**SUBSIDIARY - HK entity**	**WOFE**	**VIE**	**Elimination**	**Consolidated**
Revenue - third parties	$ -	$ -	$ -	$ 17,080,911		$ 17,080,911
Revenue-Parent provide service to VIE	49,600				(49,600)	-
Revenue - WOFE sold inventory to VIE			2,844,126		(2,844,126)	-
Revenue - VIE sold inventory to WOFE				211,053	(211,053)	-
Revenue - from VIE's label that is used by WOFE				1,782,451	(1,782,451)	-
Cost of Revenue - third parties				13,374,932		13,374,932
Cost of Revenue - associated with the inventory that the WOFE sold to the VIE			2,607,564	2,607,564	(2,607,564)	2,607,564
Cost of Revenue - associated with the inventory that the VIE sold to the WOFE			142,742	142,742	(142,742)	142,742
Cost of Revenue - WOFE use of label that is owned by VIE			1,782,451		(1,782,451)	-
Gross profit	49,600	-	(1,688,631)	2,949,177	(354,473)	955,673
Operating expenses	1,292,158	320,625	871,643	5,708,501		8,192,927
Operating expenses-VIE cost that was purchased from WOFE				206,839	(206,839)	-
Operating expenses-VIE cost that service provided by Parent				51,799	(51,799)	-
Loss from operations	(1,242,558)	(320,625)	(2,560,274)	(2,759,324)	(354,473)	(7,237,254)
Other income (expenses), net	(1,292)	23	45,050	81,791		125,572
Income tax expense						-
Loss before noncontrolling interest	(1,243,850)	(320,602)	(2,515,224)	(2,677,533)	(354,473)	(7,111,682)
Less: loss attributable to noncontrolling interest				(589,974)		(589,974)
Net loss to the Company	$ (1,243,850)	$ (320,602)	$ (2,515,224)	$ (2,087,559)	$ (354,473)	$ (6,521,708)

Condensed Consolidating Balance Sheets Information

	As of June 30, 2023					
	PARENT	SUBSIDIARY - HK entity	WOFE	VIE	Elimination	Consolidated
Cash	$ 1,487	$ 809	$ 3,715	$ 13,717		$ 19,728
Accounts receivable				255,725		255,725
Accounts receivable - VIE			1,181,256		(1,181,256)	-
Accounts receivable - WOFE				754,242	(754,242)	-
Inventory				241,380		241,380
Inventory - VIE						-
Inventory - WOFE				26,562	(26,562)	-
Other receivables -Subsidiaries			111	2,394	(2,505)	-
Other receivables - VIE			8,601,966		(8,601,966)	-
Other receivables - WOFE	88,145				(88,145)	-
Other receivables - Parent		5,000		14,884	(19,884)	-
Other current assets			123,251	649,433		772,684
Total current assets	89,632	5,809	9,910,299	1,958,337	(10,674,560)	1,289,517
Property and equipment, net			43,044	42,886		85,930
Intangible assets, net		417,708	68,504	757,700	(58,125)	1,185,787
Right of use asset, net			77,508	60,348		137,856
Investment into subsidiaries	12,920,480				(12,920,480)	-
Investment into WOFE		11,050,890			(11,050,890)	-
Other non -current assets				55,358		55,358
Total non-current assets	12,920,480	11,468,598	189,056	916,292	(24,029,495)	1,464,931
Total Assets	$ 13,010,112	$ 11,474,407	$ 10,099,355	$ 2,874,629	$ (34,704,055)	$ 2,754,448
Accounts payable	$ 288,020		$ 66,633	$ 650,406		$ 1,005,059
Accounts payable - VIE			754,242		(754,242)	-
Accounts payable - WOFE				1,181,256	(1,181,256)	-
Short term loan				594,906		594,906
Advance from customers			456	608,719		609,175
Accrued expenses and other payables	34,780		107,881	1,480,947	(213,669)	1,409,939
Lease liability			85,417	39,223		124,640
Other payables - Datasea			78,926		(78,926)	-
Other payables - VIE		2,536			(2,536)	-
Other payables - WOFE		122		8,596,015	(8,596,137)	-
Other current liabilities	32,000		100,165	1,030,691		1,162,856
Total current liabilities	354,800	2,658	1,193,720	14,182,163	(10,826,766)	6,216,881
Lease liability - noncurrent				26,449		26,449
Long term loan				1,401,521		91,215
Total non-current liabilities				1,427,970		117,664
Total liabilities	354,800	2,658	1,193,720	15,610,133	(10,826,766)	6,334,545
Accumulated deficit	(7,069,628)	(1,448,731)	(6,136,980)	(13,586,686)	178,767	(28,063,258)
Other equity	19,724,940	12,920,480	15,042,615	851,182	(24,056,056)	24,483,161
Total equity	12,655,312	11,471,749	8,905,635	(12,735,504)	(23,877,289)	(3,580,097)
Total liabilities and stockholders' equity	$ 13,010,112	$ 11,474,407	$ 10,099,355	$ 2,874,629	(34,704,055)	$ 2,754,448

	As of June 30, 2022					
	PARENT	SUBSIDIARY - HK entity	WOFE	VIE	Elimination	Consolidated
Cash	$ 4,175	$ 6,435	$ 17,873	$ 135,734		$ 164,217
Accounts receivable				259,410		259,410
Accounts receivable - VIE			1,322,556		(1,322,556)	-
Inventory			5,186	206,167		211,353
Inventory - VIE						-
Inventory - WOFE				28,597	(28,597)	-
Other receivables-Subsidiaries			120		(120)	-
Other receivables - VIE			9,683,156		(9,683,156)	-
Other receivables - WOFE	72,651				(72,651)	-
Other current assets			118,238	502,255	1,328	621,821
Total current assets	76,826	6,435	11,147,129	1,132,163	(11,105,752)	1,256,801
Property and equipment, net			94,362	93,469		187,831
Intangible assets, net		781,875	90,545	936,421	(67,050)	1,741,791
Right of use asset, net			394,988	127,285		522,273
Investment into subsidiaries	12,920,480				(12,920,480)	-
Investment into WOFE		11,050,913			(11,050,913)	-
Other non-current assets			17,181	29,800		46,981
Total non-current assets	12,920,480	11,832,788	597,076	1,186,975	(24,038,443)	2,498,876
Total Assets	$ 12,997,306	$ 11,839,223	$ 11,744,205	$ 2,319,138	$ (35,144,195)	$ 3,755,677
Accounts payable	$ 110,800		$ 51,104	$ 35,669		$ 197,573
Accounts payable - WOFE				1,322,556	(1,322,556)	-
Advance from customer			492	289,396		289,888
Accrued expense and other payable			62,593	1,190,564	(258,273)	994,884
Lease liability			414,236	43,713		457,949
Loan payable				81,950		81,950
Other payables - Datasea			69,851		(69,851)	-
Other payables - VIE						-
Other payables - WOFE		122		9,683,156	(9,683,278)	-
Other current liabilities			32,184	70,147		102,331
Total current liabilities	110,800	122	630,460	12,717,151	(11,333,958)	2,124,575
Lease liability - noncurrent			31,470			31,470
Total non-current liabilities	-	-	31,470	-	-	31,470
Total liabilities	110,800	122	661,930	12,717,151	(11,333,958)	2,156,045
Accumulated deficit	(2,437,676)	(1,081,379)	(4,684,988)	(10,561,552)	182,029	(18,583,566)
Other equity	15,324,182	12,920,480	15,767,263	163,539	(23,992,266)	20,183,198
Total equity	12,886,506	11,839,101	11,082,275	(10,398,013)	(23,810,237)	1,599,632
Total liabilities and stockholders' equity	$ 12,997,306	$ 11,839,223	$ 11,744,205	$ 2,319,138	$ (35,144,195)	$ 3,755,677

Condensed Consolidating Cash Flows Information

	Year Ended June 30, 2023					
	PARENT	SUBSIDIARIES - HK entity	WOFE	VIE	Elimination	Consolidated
Net cash provided by/(used in) operating activities	$ (41,815)	$ (3,185)	$ (528,833)	$ (2,527,577)		$ (3,101,410)
Net cash provided by/(used in) operating activities (WOFE to VIE)			(34,671)			(34,671)
Net cash provided by/(used in) investing activities				(113,131)		(113,131)
Net cash provided by/(used in) investing activities (WOFE to VIE)			407,905		(407,905)	-
Net cash provided by/(used in) investing activities (Parent to VIE)	14,622				(14,622)	-
Net cash provided by/(used in) investing activities (VIE to HK)				2,536	(2,536)	-
Net cash provided by/(used in) financing activities	32,000		73,151	3,004,056		3,109,207
Net cash provided by/(used in) financing activities (PARENT to VIE)				(14,622)	14,622	-
Net cash provided by/(used in) financing activities (VIE to HK)		(2,536)			2,536	-
Net cash provided by/(used in) financing activities WOFE to PARENT)						-
Net cash provided by/(used in) financing activities (WOFE's cash inflow from HK)						-
Net cash provided by/(used in) financing activities (WOFE to VIE)				(407,905)	407,905	-
Net increase (decrease) in cash and cash equivalents	$ 9,209	$ (5,649)	$ (86,346)	$ (61,703)	-	$ (144,489)

	Year Ended June 30, 2022					
	PARENT	SUBSIDIARIES - HK entity	WOFE	VIE	Elimination	Consolidated
Net cash provided by/(used in) operating activities	$ (548,484)	$ 23	$ (3,280,231)	$ (1,246,639)		$ (5,145,022)
Net cash provided by/(used in) operating activities (WOFE to VIE)			(64,381)			(64,381)
Net cash provided by/(used in) investing activities			(26,391)	(1,107,033)		(1,133,424)
Net cash provided by/(used in) investing activities (Parent investment to HK)	(7,060,000)				7,060,000	-
Net cash provided by/(used in) investing activities (Parent investment to WOFE)	(42,000)				42,000	-
Net cash provided by/(used in) investing activities (WOFE to VIE)			(3,769,866)		3,769,866	-
Net cash provided by/(used in) investing activities (HK to WOFE)		(7,056,536)			7,056,536	-
Net cash provided by/(used in) financing activities	7,642,796		2,478	(1,265,970)		6,448,995
Net cash provided by/(used in) financing activities (Parent to HK)		7,060,000	41,629		(7,101,629)	-
Net cash provided by/(used in) financing activities WOFE to PARENT)						-
Net cash provided by/(used in) financing activities (WOFE's cash inflow from HK)			7,074,350		(7,074,350)	-
Net cash provided by/(used in) financing activities (WOFE to VIE)				3,769,866	(3,769,866)	-
Net increase (decrease) in cash and cash equivalents	$ (9,867)	$ 3,487	$ (23,114)	$ 144,035		$ 114,541

USE OF ESTIMATES

The preparation of CFS in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The significant areas requiring the use of management estimates include, but are not limited to, the estimated useful life and residual value of property, plant and equipment, provision for staff benefits, recognition and measurement of deferred income taxes and the valuation allowance for deferred tax assets. Although these estimates are based on management's knowledge of current events and actions management may undertake in the future, actual results may ultimately differ from those estimates and such differences may be material to the CFS.

CONTINGENCIES

Certain conditions may exist as of the date the CFS are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's CFS.

If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. As of June 30, 2023 and 2022, the Company has no such contingencies.

CASH

Cash include cash on hand and demand deposits that are highly liquid in nature and have original maturities when purchased of three months or less.

ACCOUNTS RECEIVABLE

The Company's policy is to maintain an allowance for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. As of June 30, 2023 and 2022, the Company had a $0 bad debt allowance for accounts receivable.

INVENTORY

Inventory is comprised principally of intelligent temperature measurement face recognition terminal and identity information recognition products, and is valued at the lower of cost or net realizable value. The value of inventory is determined using the first-in, first-out method. The Company periodically estimates an inventory allowance for estimated unmarketable inventories when necessary. Inventory amounts are reported net of such allowances. There were $52,915 and $56,971 allowances for slow-moving and obsolete inventory (mainly for Smart-Student Identification cards) as of June 30, 2023 and 2022, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Major repairs and improvements that significantly extend original useful lives or improve productivity are capitalized and depreciated over the period benefited. Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method over estimated useful lives as follows:

Furniture and fixtures	3-5 years
Office equipment	3-5 years
Vehicles	5 years
Leasehold improvement	3 years

Leasehold improvements are depreciated utilizing the straight-line method over the shorter of their estimated useful lives or remaining lease term.

INTANGIBLE ASSETS

Intangible assets with finite lives are amortized using the straight-line method over their estimated period of benefit. Evaluation of the recoverability of intangible assets is made to take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of the Company's intangible assets are subject to amortization. No impairment of intangible assets has been identified as of the balance sheet date.

Intangible assets include licenses, certificates, patents and other technology and are amortized over their useful life of three years.

FAIR VALUE ("FV") OF FINANCIAL INSTRUMENTS

The carrying value of the Company's short-term financial instruments, such as cash, accounts receivable, prepaid expenses, accounts payable, unearned revenue, accrued expenses and other payables approximates their FV due to their short maturities. FASB ASC Topic 825, "Financial Instruments," requires disclosure of the FV of financial instruments held by the Company. The carrying amounts reported in the balance sheets for current liabilities qualify as financial instruments and are a reasonable estimate of their FV because of the short period of time between the origination of such instruments and their expected realization and the current market rate of interest.

FAIR VALUE MEASUREMENTS AND DISCLOSURES

FASB ASC Topic 820, "Fair Value Measurements," defines FV, and establishes a three-level valuation hierarchy for disclosures that enhances disclosure requirements for FV measures. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include other than those in level 1 quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology are unobservable and significant to the FV measurement.

As of June 30, 2023 and 2022, the Company did not identify any assets or liabilities required to be presented on the balance sheet at FV on a recurring basis.

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with FASB ASC 360-10, "Accounting for the Impairment or Disposal of Long-Lived Assets", long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, or it is reasonably possible that these assets could become impaired as a result of technological or other changes. The determination of recoverability of assets to be held and used is made by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset.

If such assets are considered impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its FV. FV generally is determined using the asset's expected future undiscounted cash flows or market value, if readily determinable. Assets to be disposed of are reported at the lower of the carrying amount or FV less cost to sell. For the years ended June 30, 2023 and 2022, there was no impairment loss recognized on long-lived assets.

UNEARNED REVENUE

The Company records payments received in advance from its customers or sales agents for the Company's products as unearned revenue, mainly consisting of deposits or prepayment for 5G products from the Company's sales agencies. These orders normally are delivered based upon contract terms and customer demand, and the Company will recognize it as revenue when the products are delivered to the end customers.

LEASES

The Company determines if an arrangement is a lease at inception under FASB ASC Topic 842. Right of Use Assets ("ROU") and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. As most of its leases do not provide an implicit rate, it uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's incremental borrowing rate is a hypothetical rate based on its understanding of what its credit rating would be. The ROU assets include adjustments for prepayments and accrued lease payments. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise such options.

ROU assets are reviewed for impairment when indicators of impairment are present. ROU assets from operating and finance leases are subject to the impairment guidance in ASC 360, Property, Plant, and Equipment, as ROU assets are long-lived nonfinancial assets.

ROU assets are tested for impairment individually or as part of an asset group if the cash flows related to the ROU asset are not independent from the cash flows of other assets and liabilities. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The Company recognized no impairment of ROU assets as of June 30, 2023 and 2022.

REVENUE RECOGNITION

The Company follows Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606).

The core principle underlying FASB ASC 606 is that the Company will recognize revenue to represent the transfer of goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in such exchange. This will require the Company to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The Company's revenue streams are identified when possession of goods and services is transferred to a customer.

FASB ASC Topic 606 requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies each performance obligation.

The Company derives its revenues from product sales and 5G messaging service contracts with its customers, with revenues recognized upon delivery of services and products. Persuasive evidence of an arrangement is demonstrated via product sale contracts and professional service contracts, with performance obligations identified. The transaction price, such as product selling price, and the service price to the customer with corresponding performance obligations are fixed upon acceptance of the agreement. The Company recognizes revenue when it satisfies each performance obligation, the customer receives the products and passes the inspection and when professional service is rendered to the customer, collectability of payment is probable. These revenues are recognized at a point in time after each performance obligations is satisfied. Revenue is recognized net of returns and value-added tax charged to customers.

The following table shows the Company's revenue by revenue sources:

	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
5G Messaging	**$ 6,686,691**	$ 17,024,695
5G messaging	5,747,539	11,937,189
Aggregate messaging platform	23,816	3,261,959
Cloud platform construction cooperation project	915,336	1,825,547
Acoustic Intelligence Business	**196,940**	**-**
Ultrasonic Sound Air Disinfection Equipment	81,275	-
Other	115,665	-
Smart City business	**161,680**	**56,216**
Smart community	33,123	56,216
Smart community broadcasting system	122,521	-
Smart agriculture	6,036	-
Total revenue	**$ 7,045,311**	**$ 17,080,911**

SEGMENT INFORMATION

FASB ASC Topic 280, "Segment Reporting," requires use of the "management approach" model for segment reporting. The management approach model is based on the method a company's management organizes segments within the company for making operating decisions and assessing performance. Reportable segments are based on products and services, geography, legal structure, management structure, or any other manner in which management disaggregates a company. Management determined the Company's current operations constitutes a single reportable segment in accordance with ASC 280. The Company's only business and industry segment is high technology and advanced information systems ("TAIS"). TAIS include smart city solutions that meet the security needs of residential communities, schools and commercial enterprises, and 5G messaging services including 5G SMS, 5G MMCP and 5G multi-media video messaging.

All of the Company's customers are in the PRC and all revenues for the years ended June 30, 2023 and 2022 were generated from the PRC. All identifiable assets of the Company are located in the PRC. Accordingly, no geographical segments are presented.

INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes in accordance with FASB ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current period and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets also include the prior years' net operating losses carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

The Company follows FASB ASC Topic 740, which prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures.

Under the provisions of FASB ASC Topic 740, when tax returns are filed, it is likely some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statement of income. As of June 30, 2023, the Company had no unrecognized tax positions and no charges during the year ended June 30, 2023, and accordingly, the Company did not recognize any interest or penalties related to unrecognized tax benefits. The Company files a U.S. and PRC income tax return. With few exceptions, the Company's U.S. income tax returns filed for the years ending on June 30, 2018 and thereafter are subject to examination by the relevant taxing authorities; the Company uses calendar year-end for its PRC income tax return filing, PRC income tax returns filed for the years ending on December 31, 2017 and thereafter are subject to examination by the relevant taxing authorities.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are expensed in the period when incurred. These costs primarily consist of cost of materials used, salaries paid for the Company's development department, and fees paid to third parties.

NONCONTROLLING INTERESTS

The Company follows FASB ASC Topic 810, "Consolidation," governing the accounting for and reporting of noncontrolling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCI (previously referred to as minority interests) be treated as a separate component of equity, not as a liability, that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially-owned consolidated subsidiary be allocated to non-controlling interests even when such allocation might result in a deficit balance.

The net income (loss) attributed to NCI was separately designated in the accompanying statements of operations and comprehensive income (loss). Losses attributable to NCI in a subsidiary may exceed a non-controlling interest's interests in the subsidiary's equity. The excess attributable to NCIs is attributed to those interests. NCIs shall continue to be attributed their share of losses even if that attribution results in a deficit NCI balance. On December 20, 2022, Guohao Century acquired a 30% ownership noncontrolling interests of Zhangxun from Zhengmao Zhang at the price of $0.15 (RMB 1.00). The Company recognized a paid in capital deficit of $982,014 from this purchase due to continued loss of Zhangxun. Subsequent to this purchase, the Company ultimately holds a 99.9% ownership of Zhangxun.

As of June 30, 2023, Zhangxun was 0.1% owned by noncontrolling interest, Zhangqi was 1% owned by noncontrolling interest, Shuhai Nanjing was 1% owned by noncontrolling interest, Shenzhen Acoustic MP was 1% owned by noncontrolling interest, Shuhai Shenzhen Acoustic was 0.1% owned by noncontrolling interest, Guozhong Times was 0.091% owned by noncontrolling interest, and Guozhong Haoze was 0.091% owned by noncontrolling interest. During the years ended June 30, 2023 and 2022, the Company had loss of $218,323 and $589,974 attributable to the noncontrolling interest, respectively.

CONCENTRATION OF CREDIT RISK

The Company maintains cash in accounts with state-owned banks within the PRC. Cash in state-owned banks less than RMB500,000 ($76,000) is covered by insurance. Should any institution holding the Company's cash become insolvent, or if the Company is unable to withdraw funds for any reason, the Company could lose the cash on deposit with that institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in these bank accounts. Cash denominated in RMB with a U.S. dollar equivalent of $17,432 and $153,607 as of June 30, 2023 and 2022, respectively, was held in accounts at financial institutions located in the PRC, which is not freely convertible into foreign currencies.

Cash held in accounts at U.S. financial institutions is insured by the Federal Deposit Insurance Corporation or other programs subject to certain limitations up to $250,000 per depositor. As of June 30, 2023, cash of $1,487 was maintained at U.S. financial institutions. Cash was maintained at financial institutions in Hong Kong, and was insured by the Hong Kong Deposit Protection Board up to a limit of HK $500,000 ($64,000). As of June 30, 2023, the cash balance of $809 was maintained at financial institutions in Hong Kong. The Company, its subsidiaries and VIE have not experienced any losses in such accounts and do not believe the cash is exposed to any significant risk.

FOREIGN CURRENCY TRANSLATION AND COMPREHENSIVE INCOME (LOSS)

The accounts of the Company's Chinese entities are maintained in RMB and the accounts of the U.S. parent company are maintained in United States dollar ("USD"). The financial statements of the Chinese entities were translated into USD in accordance with FASB ASC Topic 830 "Foreign Currency Matters." All assets and liabilities were translated at the exchange rate on the balance sheet date; stockholders' equity is translated at historical rates and the statements of operations and cash flows are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income (loss) in accordance with FASB ASC Topic 220, "Comprehensive Income." Gains and losses resulting from foreign currency transactions are reflected in the statements of operations.

The Company follows FASB ASC Topic"220-10, "Comprehensive Income (loss)." Comprehensive income (loss) comprises net income (loss) and all changes to the statements of changes in stockholders' equity, except those due to investments by stockholders, changes in additional paid-in capital and distributions to stockholders.

The exchange rates used to translate amounts in RMB to USD for the purposes of preparing the CFS were as follows:

	June 30, 2023	June 30, 2022
Period-end date USD: RMB exchange rate	7.2258	6.7114
Average USD for the reporting period: RMB exchange rate	6.9415	6.4571

BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (EPS)

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similarly, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted EPS is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to have been exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. For the years ended June 30, 2023 and 2022, the Company's basic and diluted loss per share are the same as a result of the Company's net loss. 1,319,953 warrants were anti-dilutive and was therefore excluded from EPS for the years ended June 30, 2023 and 2022, respectively.

STATEMENT OF CASH FLOWS

In accordance with FASB ASC Topic 230, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies. As a result, amounts shown on the statement of cash flows may not necessarily agree with changes in the corresponding asset and liability on the balance sheet.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that the standard will have on its CFS.

The Company's management does not believe that any other recently monthsssued, but not yet effective, authoritative guidance, if currently adopted, would have a material impact on the Company's financial statement presentation or disclosures.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	June 30, 2023	June 30, 2022
Furniture and fixtures	$ 84,014	$ 113,113
Vehicle	484	522
Leasehold improvement	216,932	233,558
Office equipment	261,658	278,232
Subtotal	563,088	625,425
Less: accumulated depreciation	477,158	437,594
Total	$ 85,930	$ 187,831

Depreciation for the years ended June 30, 2023 and 2022 was $93,594 and $164,145, respectively.

NOTE 4 – INTANGIBLE ASSETS

Intangible assets are summarized as follows:

	June 30, 2023	June 30, 2022
Software registration or using right	$ 1,635,307	$ 1,226,671
Patent	14,527	15,640
Software and technology development costs	631,250	1,006,412
Value-added telecommunications business license	15,374	16,552
Subtotal	2,299,458	2,265,275
Less: Accumulated amortization	1,110,671	523,484
Total	$ 1,185,787	$ 1,741,791

Software registration or using right represented the purchase cost of customized software with its source code from third party software developer.

Software and technology development cost represented development costs incurred internally after the technological feasibility was established and a working model was produced and was recorded as intangible asset.

Amortization for the years ended June 30, 2023 and 2022 was $607,836 and $413,677, respectively. The amortization expense for the next five years as of June 30, 2023 will be $607,836, $577,951, $0, $0 and $0.

NOTE 5 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	June 30, 2023	June 30, 2022
Security deposit	$ 15,615	$ 255,325
Prepaid expenses	563,203	230,745
Other receivables – Heqin	460,850	548,321
Advance to third party individuals, no interest, payable upon demand	11,764	49,299
Others	110,841	39,943
Total	1,162,273	1,190,683
Less: allowance for other receivables – Heqin	460,850	548,321
Total	$ 701,423	$ 575,312

As of June 30, 2023, prepaid expenses mainly consisted of prepayment of 5G Messaging service fee recharge of $500,395, prepaid rent and property management fee of $48,200 and other prepayments of $14,608. As of June 30, 2022, prepaid expenses mainly consisted of prepaid marketing fee of $139,204, prepaid rent and property management fee of $19,973 and other prepayments of $71,568.

Other receivables–- Heqin

On February 20, 2020, Guozhong Times entered an Operation Cooperation Agreement with an unrelated company, Heqin (Beijing) Technology Co, Ltd. ("Heqin"), for marketing and promoting the sale of Face Recognition Payment Processing equipment and related technical support, and other products of the Company including Epidemic Prevention and Control Systems. Heqin has a sales team which used to work with Fortune 500 companies and specializes in business marketing and sales channel establishment and expansion, especially in education industry and public area.

The cooperation term is from February 20, 2020 through March 1, 2023; however, Heqin is the exclusive distributor of the Company's face Recognition Payment Processing products for the period to July 30, 2020. During March and April 2020, Guozhong Times provided operating funds to Heqin, together with a credit line provided by Guozhong Times to Heqin from May 2020 through August 2020, for a total borrowing of RMB 10 million ($1.41 million) for Heqin's operating needs. As of March 31, 2023, Guozhong Times had an outstanding receivable of RMB 3.53 million ($513,701) from Heqin and was recorded as other receivables. The Company would not charge Heqin any interest, except for two loans with RMB 200,000 ($28,250) each, due on June 30, 2020 and August 15, 2020, respectively, for which the Company charges 15% interest if Heqin did not repay by the due date.

No profits will be allocated and distributed before full repayment of the borrowing. After Heqin pays in full the borrowing, Guozhong Times and Heqin will distribute profits of sale of Face Recognition Payment Processing equipment and related technical support at 30% and 70% of the net income, respectively. The profit allocation for the sale of other products of the Company are to be negotiated. Heqin will receive certain stock reward when it reaches the preset sales target under the performance compensation mechanism.

In November 2022, Hangzhou Yuetianyun Data Technology Company Ltd ("Yuetianyun") agreed and acknowledged a Debt Transfer Agreement, wherein Heqin transferred its debt from Yuetianyun to Guozhong Times in the amount of RMB 1,543,400 ($213,596). As of June 30, 2023 and 2022, Heqin made $48,438 (through Yuetianyun) and $0 repayment to the Company, and the Company made a bad debt allowance of $460,850 and $548,321 as of June 30, 2023 and 2022, respectively.

NOTE 6 – LONG TERM INVESTMENT

In November, 2021, Shuhai Nanjing invested RMB 200,000 ($29,800) for 6.21% stock ownership of a high-tech company Nanjing Dutao Intelligence Technology Co., Ltd in Nanjing City specializing on internet security equipment. In addition, Shuhai Nanjing also agreed to invest RMB 300,000 ($47,300) for 3% stock ownership of another high-tech company in Nanjing City specializing on digital market monitoring solutions, and Shuhai Nanjing paid RMB 200,000 ($29,800) in November 2021, however, this investment of $29,800 was returned to Shuhai Nanjing in May 2022 due to change of business direction by the high-tech company.

In August 2022, Shuhai Nanjing invested RMB 200,000 ($28,717) for 1% stock ownership of a high-tech company Nanjing Jinjizhihui Technology Co. Ltd in Nanjing City specializing on software and system development.

NOTE 7 – ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consisted of the following:

	June 30, 2023	June 30, 2022
Other payables	$ 308,841	$ 147,269
Due to third parties	175,354	117,531
Social security payable	537,964	425,700
Salary payable–- employees	387,780	304,384
Total	$ 1,409,939	$ 994,884

Due to third parties were the short term advance from third party individual or companies, bear no interest and payable upon demand.

NOTE 8 – LOANS PAYABLE

Loan from bank

On December 24, 2022, Zhangxun entered a loan agreement with Tianjin Jincheng Bank Co., Ltd for the amount of RMB 800,000 ($114,867) with a term of 24 months, the interest rate was 18.0% per annum to be paid every 21st of each month. For the year ended June 30, 2023, the Company made a repayment of $28,812 to this loan. For the year ended June 30, 2023, the Company recorded and paid $9,395 interest expense for this loan. As of June 30, 2023, $55,357 was recorded as current liabilities and $27,704 was recorded as non-current liabilities.

On December 21, 2022, Zhangxun entered a loan agreement with Shenzhen Qianhai WeBank Co., Ltd for the amount of RMB 590,177 ($84,740) with a term of 24 months, the interest rate was 17.1% per annum to be paid every 24th of each month. For the year ended June 30, 2023, the Company made a repayment of $12,146 to this loan. For the year ended June 30, 2023, the Company recorded and paid $7,173 interest expense for this loan. As of June 30, 2023, $46,672 was recorded as current liabilities and $23,312 was recorded as non-current liabilities.

On December 12, 2022, Beijing Shuhai entered a loan agreement with Shenzhen Qianhai WeBank Co., Ltd for the amount of RMB 900,000 ($129,225) with a term of 24 months, the interest rate was 10.728% to be paid every 20th of each month. For the year ended June 30, 2023, the Company made a repayment of $18,522 to this loan. For the year ended June 30, 2023, the Company recorded and paid $6,862 interest expense for this loan. As of June 30, 2023, $71,174 was recorded as current liabilities and $35,587 was recorded as non-current liabilities.

On January 13, 2023, Shenzhen Jingwei entered a loan agreement with Shenzhen Qianhai WeBank Co., Ltd for the amount of RMB 100,000 ($14,552) with a term of 24 months, the interest rate was 8.6832%. For the year ended June 30, 2023, the Company made a repayment of $1,372 to this loan. For the year ended June 30, 2023, the Company recorded and paid $495 interest expense for this loan. As of June 30, 2023, $7,908 was recorded as current liabilities and $4,613 was recorded as non-current liabilities.

On April 25, 2023, Shuhai information entered a loan agreement with China Bank Co., Ltd for the amount of RMB 2,990,000 ($435,118) with a term of 12 months with a preferential annual interest rate of 2.35% to be paid every 21st of each month. For the year ended June 30, 2023, the Company recorded and paid $1,575 interest expense for this loan. As of June 30, 2023, $413,795 was recorded as current liabilities.

The following table summarizes the loan balance as of June 30, 2023:

Lender	Loan amount	Borrowing date	Loan term: Months	Interest rate	Balance due: Current	Balance due: Non-current
Tianjin Jincheng Bank Co., Ltd	110,714	12/21/2022	24	18%	$ 55,357	$ 27,704
Shenzhen Qianhai WeBank Co., Ltd	81,676	12/24/2022	24	17.1%	46,672	23,312
Shenzhen Qianhai WeBank Co., Ltd	13,839	1/13/2023	24	8.68%	7,908	4,613
Shenzhen Qianhai WeBank Co., Ltd	124,553	12/20/2022	24	10.73%	71,174	35,587
Shenzhen Qianhai WeBank Co., Ltd	413,795	4/25/2023	12	2.35%	413,795	-
Total	$ 744,577				$ 594,906	$ 91,215

Loan from an unrelated party

On April 24, 2022, the Company entered a loan agreement with an unrelated party for $596,001, the loan had no interest, and was required to be repaid any time before December 31, 2022. The Company repaid $447,001 to the unrelated party by June 30, 2022. On July 1, 2022, the Company entered into a new loan agreement with the same unrelated party for RMB 5,603,000 ($789,177), the loan had no interest, and was required to be repaid any time before December 31, 2022, the Company didn't make any payment as of December 31, 2022 and signed an extension agreement to extend the maturity date to June 30, 2023. On October 1, 2022, the Company entered into a new loan agreement with the same unrelated party for RMB 3,970,000 ($642,779), the loan had no interest, and was required to be repaid any time before June 30, 2023. On May 24, 2023, the Company entered into a loan extension agreement with the lender, wherein both parties agreed to settle the loan in full by December 31, 2024. During the year ended June 30, 2023, the Company repaid $0.16 million to this unrelated party. In addition, there is also other receivable of $0 and $67,050 from the same unrelated party as of June 30, 2023 and 2022, respectively, which was net off with loans payable. As of June 30, 2023 and 2022, the outstanding loan balance to the unrelated party was $1,310,306 and $81,950, respectively as a result of the Company did not repay the loan in full at maturity.

NOTE 9 – RELATED PARTY TRANSACTIONS

On October 1, 2020, the Company's CEO (also the president) entered into an office rental agreement with Xunrui. Pursuant to the agreement, the Company rents an office in Harbin city with a total payment of RMB 163,800 ($24,050) from October 1, 2020 through September 30, 2021. On October 1, 2021, Xunrui entered a new seven-month lease for this location with the Company's CEO for total rent of RMB 94,500 ($14,690). The lease was expired on April 30, 2022. On May 1, 2022, Xunrui entered a new one-year lease agreement for this office with the Company's CEO for an annual rent of RMB 235,710 ($35,120), the Company was required to pay the rent before April 30, 2023 but the Company did not pay it yet as of this report date. On May 1, 2023, Xunrui entered a new one-year lease agreement for this office location with the Company's CEO for an annual rent of RMB 282,852 ($39,144), the Company is required to pay the rent before April 30, 2024. The rental expense for this office location was $33,707 and $20,976, respectively, for the years ended June 30, 2023 and 2022.

On July 1, 2021, the Company's CEO entered into a car rental agreement with the Company for one year. Pursuant to the agreement, the Company rents a car from the Company's CEO for a monthly rent of RMB 18,000 ($2,800), or total payment of $33,400, was paid in full at once. On July 1, 2022, the Company entered a new one-year lease for two cars with the Company's CEO for each car's monthly rent of RMB 18,000 ($2,636) and RMB 20,000 ($2,876), respectively. On July 1, 2023, the Company entered a new one-year lease for two cars with the Company's CEO for each car's monthly rent of RMB 18,000 ($2,491) and RMB 20,000 ($2,768), respectively. The rental expense for those agreements was $65,692 and $33,400, respectively, for the years ended June 30, 2023 and 2022.

On September 1, 2021, the Company renewed a one-year lease for senior officers' dormitory in Beijing, the monthly rent is RMB 15,200 ($2,439), payable every six months in advance. On September 1, 2022, the Company entered a new six-month lease for a total rent of RMB 91,200 ($13,355), payable every three months in advance. On March 1, 2023, the Company entered a new six-month lease for a total rent of RMB 91,200 ($12,621), payable every three months in advance. The rental expense for this lease was $25,243 and $23,540 for the years ended June 30, 2023 and 2022, respectively.

<u>Due to related parties</u>

As of June 30, 2023 and 2022, the Company had due to related parties of $1,162,856 and $102,331, respectively, mainly was for the payable of an office lease from the Company's CEO, accrued salary payable and certain expenses of the Company that were paid by the CEO and her father (one of the Company's directors), due to related parties bore no interest and payable upon demand.

NOTE 10 – COMMON STOCK AND WARRANTS

Registered Direct Offering and Concurrent Private Placement in July 2021

On July 20, 2021, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company agreed to sell to such investors an aggregate of 2,436,904 shares of the common stock of the Company at a purchase price of $3.48 per share. The offering of the common stock is pursuant to a shelf registration statement on Form S-3 (File No. 333-239183), which was declared effective by the SEC on June 25, 2020.

Concurrently with the sale of the shares of the common stock, the Company also sold warrants to purchase 1,096,608 shares of common stock to such investors. The Company sold the shares of the common stock and the warrants for aggregate gross proceeds of approximately $8,480,426, before commissions and expenses. Subject to certain beneficial ownership limitations, the warrants were immediately exercisable at an exercise price equal to $4.48 per share, and will terminate on the two- and one-half-year anniversary following the initial exercise date of the warrants. The warrants issued in this financing was classified as equity instruments. The Company accounted for the warrants issued in this financing based on the FV method under FASB ASC Topic 505, and the FV of the warrants was calculated using the Black-Scholes model under the following assumptions: life of 2.5 years, volatility of 150%, risk-free interest rate of 0.37% and dividend yield of 0%. The FV of the warrants issued at grant date was $1,986,880.

In addition, the Company has also agreed to issue to its placement agent for offering above warrants to purchase a number of shares of the common stock equal to 5.0% of the aggregate number of shares of the common stock sold in this offering (121,845 warrants), the warrants have an exercise price of $4.48 per share and will terminate on the two and one-half-year anniversary of the closing of the offering. The Company accounted for the warrants issued based on the FV method under FASB ASC Topic 505, and the FV of the warrants was calculated using the Black-Scholes model under the following assumptions: life of 2.5 years, volatility of 150%, risk-free interest rate of 0.37% and dividend yield of 0%. The FV of the warrants issued at grant date was $225,964. The warrants issued in this financing was classified as equity instruments.

The closing of the sales of these securities under the securities purchase agreement took place on July 22, 2021. The net proceeds from the transactions were approximately $7,640,000, after deducting certain fees due to the placement agent and the Company's estimated transaction expenses, and has been used for working capital and general corporate purposes, and for the repayment of debt.

Following is a summary of the activities of warrants for the period ended June 30, 2023:

	Number of Warrants		Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding as of June 30, 2021	101,500		6.00	2.47
Exercisable as of June 30, 2021	101,500		6.00	2.47
Granted	1,218,453		4.48	2.50
Exercised	-		-	-
Forfeited	-		-	-
Expired	-		-	-
Outstanding as of June 30, 2022	1,319,953	$	4.60	1.63
Exercisable as of June 30, 2022	1,319,953	$	4.60	1.63
Granted	-		-	-
Exercised	-		-	-
Forfeited	-		-	-
Expired	-		-	-
Outstanding as of June 30, 2023	1,319,953	$	4.60	0.63
Exercisable as of June 30, 2023	1,319,953	$	4.60	0.63

Shares to Independent Directors as Compensation

During the years ended June 30, 2023 and 2022, the Company recorded $18,000 and $19,500 stock compensation expense to independent directors through the issuance of shares of the Company's common stock at the market price of the stock issuance date, pursuant to the 2018 Equity Incentive Plan.

Shares to Officers as Compensation

On September 24, 2021, under the 2018 Equity Inventive plan, the Company's Board of Directors granted 15,000 shares of the Company's common stock to its CEO each month and 10,000 shares to one of the board members each month starting from July 1, 2021, payable quarterly with the aggregate number of shares for each quarter being issued on the first day of the next quarter at a per share price of the closing price of the day prior to the issuance. During the years ended June 30, 2023 and 2022, the Company recorded $384,525 and $607,500 stock compensation expense to the Company's CEO and one of the board members for the quarter.

Shares to a Consultant as Compensation

On October 1, 2021, the Company entered into a one-year advisory agreement with a consultant for a monthly compensation of $3,000, payable on a quarterly basis by the issuance of the Company's shares. The Company issued the consultant 9,740 shares of the Company's common stock for the fair value of $15,000 during the year ended June 30, 2022. This one-year advisory agreement was terminated on February 28, 2022.

Shares to Employee and consultants under the 218 Equity Incentive Plan

During the year ended June 30, 2023, the Company issued 3,459,500 shares of the Company's common stock to the Company's employees and consultants for the services that were provided, the share issuance was fully vested and approved by Compensation Committee (the "Committee") of the Board of Directors under the 2018 Equity Incentive Plan. The fair value of 3,459,500 shares at issuance date was $3,976,362 and was recorded as the Company's stock compensation expense.

Shares to Officers in Lieu of Salary Payable

On December 30, 2021, the Board of Directors approved to issue 167,112 shares to the Company's CEO and one of the board members in lieu of payment for salary payable of $259,023, the market price of the Company's shares at December 30, 2021 was $1.55 per share.

NOTE 11 – INCOME TAXES

The Company is subject to income taxes by entity on income arising in or derived from the tax jurisdiction in which each entity is domiciled. The Company's PRC subsidiaries file their income tax returns online with PRC tax authorities. The Company conducts all of its businesses through its subsidiaries and affiliated entities, principally in the PRC.

The Company's U.S. parent company is subject to U.S. income tax rate of 21% and files U.S. federal income tax return. As of June 30, 2023 and 2022, the U.S. entity had net operating loss ("NOL") carry forwards for income tax purposes of $6.51 million and $2.19 million. The NOL arising in tax years beginning after 2017 may reduce 80% of a taxpayer's taxable income, and be carried forward indefinitely. However, the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act") passed in March 2020, provides tax relief to both corporate and noncorporate taxpayers by adding a five-year carryback period and temporarily repealing the 80% limitation for NOLs arising in 2018, 2019 and 2020. Management believes the realization of benefits from these losses remains uncertain due to the parent Company's limited operating history and continuing losses. Accordingly, a 100% deferred tax asset valuation allowance was provided.

The Company's offshore subsidiary, Shuhai Skill (HK), a HK holding company is subject to 16.5% corporate income tax in HK. Shuhai Beijing received a tax holiday with a 15% corporate income tax rate since it qualified as a high-tech company. Tianjin Information, Xunrui, Guozhong Times, Guozhong Haoze, Guohao Century, Jingwei, Shuhai Nanjing, Zhangxun are subject to the regular 25% PRC income tax rate.

As of June 30, 2023 and 2022, the Company has approximately $17.10 million and $13.91 million of NOL from its HK holding company, PRC subsidiaries and VIEs that expire in calendar years 2021 through 2025. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends upon the Company's future generation of taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance as of June 30, 2023 and 2022.

The following table reconciles the U.S. statutory rates to the Company's effective tax rate for the years ended June 30, 2023 and 2022:

	2023	2022
US federal statutory rates	(21.0)%	(21.0)%
Tax rate difference – current provision	(1.8)%	(2.8)%
Effect of PRC tax holiday	1.7%	0.3%
Valuation allowance	21.1%	23.5%
Effective tax rate	-%	-%

The provision for income tax expense (benefit) for the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Income tax expense – current	$ -	$ -
Income tax benefit – deferred	(870,640)	(1,606,146)
Increase in valuation allowance	870,640	1,606,146
Total income tax expense	-	-

The Company's net deferred tax assets as of June 30, 2023 and 2022 is as follows:

	June 30, 2023	June 30, 2022
Deferred tax asset		
Net operating loss	$ 3,986,827	$ 3,220,526
R&D expense	123,750	123,750
Depreciation and amortization	180,522	82,406
Bad debt expense	119,932	142,479
Social security and insurance accrual	149,196	134,771
Inventory impairment	13,771	14,804
ROU, net of lease liabilities	20,171	4,792
Total	4,594,168	3,723,528
Less: valuation allowance	(4,594,168)	(3,723,528)
Net deferred tax asset	$ -	$ -

NOTE 12 – COMMITMENTS

Leases

On July 30, 2019, the Company entered into an operating lease for its office in Beijing. Pursuant to the lease, the delivery date of the property was August 8, 2019 but the lease term started on October 8, 2019 and expires on October 7, 2022, and has a monthly rent of RMB 207,269 without value added tax ("VAT") (or $29,250). The lease required a security deposit of three months' rent of RMB 677,769 (or $96,000). The Company received a six-month rent abatement, which was considered in calculating the present value of the lease payments to determine the ROU asset which is being amortized over the term of the lease. On October 8, 2022, the Company renewed this lease for another year but for half space of the previous lease, with a monthly rent of RMB 107,714 ($15,787). The Company received a one-month rent abatement.

On July 30, 2019, the Company entered into a property service agreement for its office in Beijing (described above). Pursuant to the property service agreement, the agreement commenced on August 9, 2019 and will expire on October 8, 2022, and has a quarterly fee of RMB 202,352 (or $29,000). The deposit was RMB 202,352 (or $29,000). On October 8, 2022, the Company renewed this service agreement for its office in Beijing for another year, with a quarterly fee of RMB 96,476 ($14,128). The new deposit was RMB 96,476 (or $14,128).

On August 28, 2019, the Company entered an operating lease for senior officers' dormitory in Beijing. The lease has a term of two years with expiration on August 31, 2021, the monthly rent was RMB 14,500 ($2,045), payable every six months in advance. The lease was renewed for another year from September 1, 2021 to August 31, 2022 at a monthly rent of RMB 15,200 ($2,350), payable every six months in advance. On September 1, 2022, the Company entered a new six-month lease for a total rent of RMB 91,200 ($13,355), payable every three months in advance. On March 1, 2023, the Company renewed this lease for six-month for a total rent of RMB 91,200 ($13,272), payable every three months in advance.

In August 2020, the Company entered into a lease for an office in Shenzhen City, China for three years from August 8, 2020 through August 7, 2023, with a monthly rent of RMB 209,911 ($29,651) for the first year. The rent will increase by 3% each year starting from the second year.

On August 26, 2020, Tianjin Information entered into a lease for the office in Hangzhou City, China from September 11, 2020 to October 5, 2022. The first year rent is RMB 1,383,970 ($207,000). The second-year rent is RMB 1,425,909 ($202,800). The security deposit is RMB 115,311 ($16,400). The total rent for the lease period is to be paid in four installments. On October 6, 2022, Hangzhou took over and renewed this lease for one year, the total rent is RMB 1,178,463 ($172,575), payable every six months in advance. In May 2023, the lease was terminated. The total rent expense was RMB 848,620 ($122,253) for the year ended June 30, 2023.

On May 10, 2023, Guo Hao Century entered into a lease for the office in Hangzhou City, China from May 10, 2023 to May 9, 2025. The security deposit is RMB 115,311 ($7,670). The quarterly rent is as follows:

Start Date	**End Date**	**Rent expense**	
		RMB	**USD**
5/10/2023	8/9/2023	43,786	$ 6,060
8/10/2023	11/9/2023	66,038	9,139
11/10/2023	2/9/2024	66,038	9,139
2/10/2024	5/9/2024	64,602	8,940
5/10/2024	8/9/2024	66,038	9,139
8/10/2024	11/9/2024	66,038	9,139
11/10/2024	2/9/2025	66,038	9,139
2/10/2025	5/9/2025	63,884	$ 8,841

The Company adopted FASB ASC Topic 842 on July 1, 2019. The components of lease costs, lease term and discount rate with respect of the Company's office lease and the senior officers' dormitory lease with an initial term of more than 12 months are as follows:

	Year Ended June 30, 2023	**Year Ended June 30, 2022**
Operating lease expense	$ 620,696	$ 863,691

	June 30, 2023	**June 30, 2022**
Right-of-use assets	$ 137,856	$ 522,273
Lease liabilities - current	124,640	457,949
Lease liabilities - noncurrent	26,449	31,470
Weighted average remaining lease term	0.67 years	0.73 years
Weighted average discount rate	6.25%	5.00%

The following is a schedule, by years, of maturities of the operating lease liabilities as of June 30, 2023:

12 Months Ending June 30,	**Minimum Lease Payment**
2023	$ 127,708
2024	27,119
Total undiscounted cash flows	154,828
Less: imputed interest	(3,739)
Present value of lease liabilities	$ 151,089

NOTE 13 – SUBSEQUENT EVENTS

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company evaluated subsequent events through the date the financial statements were issued and determined the Company had the following subsequent events need to be disclosed:

Disposal of subsidiary Zhangxun

On July 21, 2023, the Company's shareholders decided to sell Zhangxun to a third party at a price of RMB 2 (US $0.2).

The following condensed unaudited pro forma consolidated balance sheet as of June 30 ,2023 presents the Company's consolidated balance sheet as if the disposal of Zhangxun occurred on June 30, 2023.

		JUNE 30, 2023
ASSETS		
CURRENT ASSETS		
Cash	$	7,848,979
Accounts receivable		782,494
Inventory, net		241,380
Value-added tax prepayment		55,652
Prepaid expenses and other current assets		1,360,086
Total current assets		10,288,591
NONCURRENT ASSETS		
Long-term investment		55,358
Property and equipment, net		75,918
Intangible assets, net		841,159
Right-of-use assets, net		137,856
Total noncurrent assets		1,110,291
TOTAL ASSETS	$	11,398,882
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$	474,800
Short term loan		492,877
Unearned revenue		515,050
Accrued expenses and other payables		660,783
Due to related parties		1,162,856
Operating lease liabilities		124,640
Total current liabilities		3,431,006
NONCURRENT LIABILITIES		
Operating lease liabilities		26,449
Loan payables - non-current		1,350,505
Total noncurrent liabilities		1,376,954
TOTAL LIABILITIES		4,807,960
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Other equity		33,657,141
Accumulated deficit		(27,066,219)
TOTAL STOCKHOLDERS' DEFICIT		6,590,922
TOTAL LIABILITIES AND DEFICIT	$	11,398,882

The following condensed unaudited pro forma consolidated results of operations present the results of operations of the Company, as if the disposal of Zhangxun occurred on July 1, 2022 and 2021, respectively.

	YEARS ENDED JUNE 30,	
	2023	2022
Revenues	$ 3,640,690	$ 2,670,151
Cost of goods sold	3,505,209	2,413,698
Gross profit	135,481	256,453
Operating expenses		
Selling	372,639	399,553
General and administrative	7,492,939	4,580,358
Research and development	569,635	614,153
Total operating expenses	8,435,213	5,594,064
Loss from operations	(8,299,732)	(5,337,611)
Non-operating income (expenses)		
Other income (expense)	(24,529)	67,124
Gain on disposal of subsidiary	997,037	-
Interest income	148	49,288
Total non-operating income (expenses), net	972,656	116,412
Loss before income tax	(7,327,076)	(5,221,199)
Income tax	-	-
Loss before noncontrolling interest	(7,327,076)	(5,221,199)
Less: loss attributable to noncontrolling interest	(8,821)	(19,237)
Net loss to the Company	$ (7,318,255)	$ (5,201,962)

The following table summarizes the carrying value of the assets and liabilities of discontinued operations Zhangxun at June 30, 2023.

Cash	$ 34
Accounts receivable	254,988
Other current assets	50,406
Fixed assets, net	10,012
Intangible assets, net	344,629
Total assets	660,069
Accounts payable	1,312,016
Advance from customers	94,126
Accrued liability and other payables	1,442,617
Loan payables	153,044
Total liabilities	3,001,803

The following tables shows the results of operations relating to discontinued operations Zhangxun for the years ended June 30, 2023 and 2022, respectively.

	YEARS ENDED JUNE 30,	
	2023	2022
Revenues	$ 3,520,142	$ 17,024,361
Cost of goods sold	3,199,171	16,118,302
Gross profit	320,971	906,059
Operating expenses		
Selling	318,092	958,649
General and administrative	1,036,979	1,201,465
Research and development	351,385	645,586
Total operating expenses	1,706,456	2,805,700
Loss from operations	(1,385,485)	(1,899,641)
Other income, net	11,587	9,159
Loss before income tax	(1,373,898)	(1,890,482)
Income tax	-	-
Loss before noncontrolling interest	(1,373,898)	(1,890,482)
Less: loss attributable to noncontrolling interest	(209,501)	(570,737)
Net loss to the Company	$ (1,164,397)	$ (1,319,745)

Equity Financing

On August 1, 2023, the Company entered into two separate subscription agreements with a certain non-U.S. investor, pursuant to which the Company agreed to sell and the investor agreed to purchase an aggregate of 4,760,000 shares of common stock at a $1.2 per share purchase price. The investor understands that the shares must be held for a period of 365 days. In accordance with the two Agreements, the Investor shall pay a total purchase price of $2,856,000 in RMB, with an amount of RMB 20,000,000 no later than September 10, 2023 and another purchase price of $2,856,000 in RMB, with an amount of RMB 20,000,000 no later than September 30, 2023. On September 10, 2023, the Company signed a supplementary agreement to revise the payment date of the first payment of RMB20,000,000 (approximately $2,856,000). The investor has provided a firm commitment to the Company that this RMB20,000,000 will now be paid no later than September 30, 2023. On September 21, 2023, the Company received full payment of RMB 40,000,000 ($5.48 million) from the investor.

On August 15, 2023, the Company entered into a subscription agreement with a non-U.S. investor, pursuant to which the Company agreed to sell and the investor agreed to purchase an aggregate of 2,962,963 shares of common stock at a $1.35 per share purchase price, with a total subscription price of $4,000,000. The investor understands that the shares must be held for a period of 180 days. Within 5 business days after the signing of the agreement, the investor shall pay the amount of $714,286 to the Company, which has been received by the Company as of the date of this current report, and additionally, the investor shall pay the remainder amount of $3,285,714 to the Company before October 15, 2023.

On September 13, 2023, the Company closed its underwritten public offering of 5,000,000 shares of common stock at a public offering price of $0.40 per share. The gross proceeds to the Company from this offering are approximately $2 million, before deducting any fees or expenses. The Company received $1.64 million net proceeds from this offering after deducting underwriter fees and legal expenses. In addition, the Company has granted the underwriters a 45-day option to purchase up to an additional 750,000 shares of common stock at the public offering price per share, less the underwriting discounts to cover over-allotments, if any. The Company plans to use the net proceeds from this offering for the general corporate purpose.

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Name	Place of Incorporation
Shuhai Information Skill (HK) Limited	Hong Kong
Tianjin Information Sea Information Technology Co., Ltd.	China
Datasea Acoustics LLC	Delaware

VIE entities and its subsidiaries:

Shuhai Information Technology Co., Ltd *	China
Beijing Yirui Business Management Development Center (Limited Partnership)	China
Beijing Yiying Business Management Development Center (Limited Partnership)	China
Shuhai Jingwei (Shenzhen) Information Technology Co., Ltd	China
Heilongjiang Xunrui Technology Co., Ltd	China
Guozhong Times (Beijing) Technology Co., Ltd	China
Guozhong Haoze (Beijing) Technology Co., Ltd	China
Guohao Century (Beijing) Technology Co., Ltd	China
Nanjing Shuhai Equity Investment & Fund Management Co., Ltd	China
Hangzhou Zhangqi Business Management Partnership (Limited Partnership)	China
Shenzhen Acoustic Effect Management Partnership (Limited Partnership)	China
Shuhai (Shenzhen) Acoustic Effect Technology Co., Ltd	China
Zhongnuohui (Hangzhou) Information Technology Co., Ltd	China
Hangzhou Number Intelligence Geek Technology Co., Ltd	China

* Shuhai Information Technology Co., Ltd is our variable interest entity whose financial statements are included in our consolidated financial statements as a result of a series of agreements which give us, through Tianjin Information Sea Information Technology Co., Ltd., control of the entity and gives us effective ownership of its assets.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-272889) and Form S-8 (File No. 333-239180) (the "Registration Statements") of Datasea Inc., of our report dated September 27, 2023 relating to the financial statements for the year ended June 30, 2023, which appear in the 2023 Annual Report of Datasea Inc. on Form 10-K. We also consent to the reference to us under the heading "Experts" in the Registration Statements.

/s/ Kreit & Chiu CPA LLP (Formerly Paris, Kreit & Chiu CPA LLP)
Los Angeles, California
September 27, 2023

Exhibit 31.1

CERTIFICATION PURSUANT
TO RULE 13a-14(a)

I, Zhixin Liu, certify that:

1. I have reviewed this Annual Report on Form 10-K of Datasea Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2023

By: /s/ Zhixin Liu
Name: Zhixin Liu
Title: Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT
TO RULE 13a-14(a)**

I, Mingzhou Sun, certify that:

1. I have reviewed this Annual Report on Form 10-K of Datasea Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2023

By:	/s/ Mingzhou Sun	
	Name:	Mingzhou Sun
	Title:	Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the annual report of Datasea Inc. (the "Company") on Form 10-K for the year ending June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), we, Zhixin Liu, Chief Executive Officer (Principal Executive Officer), and Mingzhou Sun, Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certify as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: September 27, 2023

By: /s/ Zhixin Liu
Zhixin Liu
Chief Executive Officer
(Principal Executive Officer)

Date: September 27, 2023

By: /s/ Mingzhou Sun
Mingzhou Sun
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required under Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.