

ZW Data Action Technologies Reports First Quarter 2023 Unaudited Financial Results

May 22, 2023

BEIJING, May 22, 2023 (GLOBE NEWSWIRE) -- ZW Data Action Technologies Inc. (Nasdaq: CNET) (the "Company"), an integrated online advertising, precision marketing, data analytics and other value-added services provider serving enterprise clients, today announced its unaudited financial results for the three months ended March 31, 2023.

First Quarter 2023 Financial Results

Revenues

For the first quarter of 2023, revenues decreased by approximately \$1.34 million, or 17.5%, to \$6.32 million from \$7.65 million for the same period last year. The decrease in revenues was primarily attributable to the decrease in revenues from our Internet advertising and related data services business category, as a result of the peak infection of COVID-19 in China during the first fiscal quarter of 2023, which affected business of most of our small medium enterprises ("SMEs") clients.

Cost of revenues

Total cost of revenues decreased by approximately \$0.89 million, or 11.8%, to \$6.63 million for the first quarter of 2023 from \$7.52 million for the same period last year. The decrease in cost was primarily due to the decrease in cost related to providing Internet advertising and related data services on our ad portals, which was in line with the decrease in the related revenues.

Gross profit (loss) and gross profit (loss) margin

Gross loss was approximately \$0.31 million for the first quarter of 2023, compared to a gross profit of \$0.13 million for the same period last year. Overall gross loss margin rate was 5% for the first quarter of 2023, compared to a gross profit margin of 2% for the same period last year.

Operating expenses

Sales and marketing expenses was approximately \$0.05 million for the first quarter of 2023, compared to \$0.07 million for the same period last year. The decrease in sales and marketing expenses was mainly attributable to the peak infection of COVID-19 in China from November 2022 through February 2023, which affected a significant number of our workforce employed in our operations, and thus adversely affected our normal business activities during the first fiscal quarter of 2023.

General and administrative expenses decreased by approximately \$0.62 million, or 39.8%, to \$0.93 million for the first quarter of 2023 from \$1.55 million for the same period last year. The decrease in general and administrative expenses was mainly attributable to the decrease in amortization of administrative assets of approximately \$0.45 million and the decrease in general administrative expenses of approximately \$0.47 million, as a result of the cost reduction plan executed by management and the adverse impact on our normal business activities of the peak infection of COVID-19 during the first fiscal quarter of 2023, which was partially offset by increase in allowance for expected credit losses of approximately \$0.30 million.

Research and development expenses was approximately \$0.02 million for the first quarter of 2023, compared to \$0.07 million for the same period last year. The decrease in research and development expenses was primarily due to a reduction in headcount in our research and development department.

Operating loss

Loss from operations was approximately \$1.31 million for the first quarter of 2023, compared to \$1.55 million for the same period last year. Operating loss margin was 21% for the first quarter of 2023, compared to 20% for the same period last year.

Other income, net

Total other income, net was approximately \$0.17 million for the first quarter of 2023, compared to \$0.83 million for the same period last year. The decrease was primarily attributable to the decrease in gain from change in fair value of warrant liabilities.

Net loss attributable to CNET and loss per share

Net loss attributable to CNET was approximately \$1.14 million, or loss per share of \$0.16, for the first quarter of 2023. This was compared to \$0.72 million, or loss per share of \$0.10**, for the same period last year.

Financial Condition

As of March 31, 2023, the Company had cash and cash equivalents of approximately \$1.59 million, compared to \$4.39 million as of December 31, 2022. Accounts receivable, net was approximately \$1.57 million as of March 31, 2023, compared to \$1.75 million as of December 31, 2022. Working capital was approximately \$5.55 million as of March 31, 2023, compared to \$6.61 million as of December 31, 2022.

Net cash used in operating activities was approximately \$0.92 million for the first quarter of 2023, compared to \$0.89 million for the same period last year. Net cash used in investing activities was approximately \$1.88 million for the first quarter of 2023, compared to \$1.46 million for the same period last year.

About ZW Data Action Technologies Inc.

Established in 2003 and headquartered in Beijing, China, ZW Data Action Technologies Inc. (the "Company") offers online advertising, precision marketing, data analytics and other value-added services for enterprise clients. Leveraging its fully integrated services platform, proprietary database, and cutting-edge algorithms, the Company delivers customized, result-driven business solutions for small and medium-sized enterprise clients in China. The Company also develops blockchain enabled web/mobile applications and software solutions for clients. More information about the Company can be found at: http://www.zdat.com/.

Safe Harbor Statement

This release contains certain "forward-looking statements" relating to the business of ZW Data Action Technologies Inc., which can be identified by the use of forward-looking terminology such as "believes," "expects," "anticipates," "estimates" or similar expressions. Such forward-looking statements involve known and unknown risks and uncertainties, including business uncertainties relating market demand, future capital requirements, and other factors that may cause actual results to be materially different from those described herein as anticipated, believed, estimated or expected. Certain of these risks and uncertainties are or will be described in greater detail in our filings with the Securities and Exchange Commission. These forward-looking statements are based on ZW Data Action Technologies Inc.'s current expectations and beliefs concerning future developments and their potential effects on the Company. There can be no assurance that future developments affecting ZW Data Action Technologies Inc. will be those anticipated by ZW Data Action Technologies Inc. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond the control of the Company) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. ZW Data Action Technologies Inc. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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ZW DATA ACTION TECHNOLOGIES INC. CONSOLIDATED BALANCE SHEETS

(In thousands, except for number of shares and per share data)

	March 31, 2023 (US \$)		December 31, 2022 (US \$)	
	(Ur	audited)		
Assets				
Current assets:				
Cash and cash equivalents	\$	1,592	\$	4,391
Accounts receivable, net of allowance for credit loss of \$4,070 and \$3,760, respectively		1,567		1,745
Prepayment and deposit to suppliers		4,390		4,567
Other current assets, net		3,327		1,610
Total current assets		10,876		12,313
Long-term investments		1,604		1,596
Operating lease right-of-use assets		1,680		1,761
Property and equipment, net		225		249
Intangible assets, net		2,964		3,264
Long-term deposits and prepayments		69		69
Deferred tax assets, net		413		406
Total Assets	\$	17,831	\$	19,658
Liabilities and Equity				
Current liabilities:				
Accounts payable *	\$	218	\$	205
Advances from customers *		720		739
Accrued payroll and other accruals *		266		438
Taxes payable *		3,280		3,248
Operating lease liabilities *		310		347
Lease payment liabilities related to short-term leases *		103		101

Other current liabilities *		341		437
Warrant liabilities		84		185
Total current liabilities		5,322		5,700
Long-term liabilities:		4.500		4 505
Operating lease liabilities-Non current		1,500		1,535
Long-term borrowing from a related party		127		126
Total Liabilities	=	6,949	=	7,361
Commitments and contingencies				
Equity:				
ZW Data Action Technologies Inc.'s stockholders' equity				
Common stock (US\$0.001 par value; authorized 20,000,000 shares; issued and outstanding 7,174,506				
shares at March 31, 2023 and December 31, 2022)		7		7**
Additional paid-in capital		62,017		62,017**
Statutory reserves		2,598		2,598
Accumulated deficit		(54,859)		(53,525)
Accumulated other comprehensive income		1,119		1,200
Total stockholders' equity		10,882		12,297
Total Liabilities and Equity	\$	17,831	\$	19,658

^{*} Liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets.

ZW DATA ACTION TECHNOLOGIES INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (In thousands, except for number of shares and per share data)

	Three Months I	Ended March 31,	
	2023	2022 (US \$) (Unaudited)	
	(US \$)		
	(Unaudited)		
Revenues	\$ 6,316	\$ 7,652	
Cost of revenues	6,630	7,518	
Gross (loss)/profit	(314)	134	
Operating expenses			
Sales and marketing expenses	48	69	
General and administrative expenses	932	1,548	
Research and development expenses	18_	68	
Total operating expenses	998	1,685	
Loss from operations	(1,312)	(1,551)	
Other income/(expenses)			
Interest income	72	46	
Other expenses, net	(5)	(9)	
Change in fair value of warrant liabilities	101	795	
Total other income	168_	832	
Loss before income tax benefit	(1,144)	(719)	
Income tax benefit	1_	2	
Net loss	<u>\$ (1,143)</u>	\$ (717)	
Net loss	\$ (1,143)		
Foreign currency translation loss	(81)	(22)	

Comprehensive loss	\$ (1,224)	\$ (739)
Loss per share Loss per common share		
Basic and diluted**	\$ (0.16)	\$ (0.10)
Weighted average number of common shares outstanding:		
Basic and diluted**	7,174,506	7,079,962

ZW DATA ACTION TECHNOLOGIES INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

Cash flows from financing activities Net cash provided by/(used in) financing activities		Three Months E	Three Months Ended March 31,		
Cash flows from operating activities (1,143) (2,177) Not loss \$ (1,143) \$ (717) Adjustments to reconcile net loss to net cash used in operating activities 322 554 Depreciation and amortization 325 554 Amortization of operating lease right-of-use assets 306 60 Share-based compensation expenses 301 6 Provision for allowance for credit losses 301 6 Provision for allowance for credit losses 301 6 Deferred taxes (101) (20) Disposal of fixed assets 3 6 Change in fair value of warrant liabilities (101) (795) Other non-operating income (101) (795) Accounts receivable (159) 171 1914 Accounts receivable (159) 171 1914 Other current assets (17) (159 171 1914 Advances from customers (27) (203 Accounts payable 10 373 Advances from customers (27) (203 <t< th=""><th></th><th>2023</th><th colspan="2" rowspan="3">(US \$)</th></t<>		2023	(US \$)		
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Short-term loan to unrelated parties (2,000) (2,500) Repayment of short-term loans and interest income from unrelated parties 123 1,029 Net cash used in investing activities (1,877) (1,458) Cash flows from financing activities Net cash provided by/(used in) financing activities Effect of exchange rate fluctuation on cash and cash equivalents (6) (1) Net decrease in cash and cash equivalents (2,799) (2,349) Cash and cash equivalents at beginning of the period 4,391 7,173	Cash flows from investing activities				
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Net cash used in investing activities Cash flows from financing activities Net cash provided by/(used in) financing activities Effect of exchange rate fluctuation on cash and cash equivalents (6) (1) Net decrease in cash and cash equivalents Cash and cash equivalents at beginning of the period 4,391 7,173	Short-term loan to unrelated parties	(2,000)	(2,500)		
Cash flows from financing activities Net cash provided by/(used in) financing activities Effect of exchange rate fluctuation on cash and cash equivalents (6) (1) Net decrease in cash and cash equivalents (2,799) (2,349) Cash and cash equivalents at beginning of the period	Repayment of short-term loans and interest income from unrelated parties	123	1,029		
Net cash provided by/(used in) financing activities Effect of exchange rate fluctuation on cash and cash equivalents (6) (1) Net decrease in cash and cash equivalents (2,799) (2,349) Cash and cash equivalents at beginning of the period	Net cash used in investing activities	(1,877)	(1,458)		
Net cash provided by/(used in) financing activities Effect of exchange rate fluctuation on cash and cash equivalents (6) (1) Net decrease in cash and cash equivalents (2,799) (2,349) Cash and cash equivalents at beginning of the period					
Effect of exchange rate fluctuation on cash and cash equivalents (6) (1) Net decrease in cash and cash equivalents (2,799) (2,349) Cash and cash equivalents at beginning of the period 4,391 7,173	Cash flows from financing activities				
Net decrease in cash and cash equivalents (2,799) (2,349) Cash and cash equivalents at beginning of the period 4,391 7,173	Net cash provided by/(used in) financing activities	<u> </u>			
Cash and cash equivalents at beginning of the period 4,391 7,173	Effect of exchange rate fluctuation on cash and cash equivalents	(6)	(1)		
	Net decrease in cash and cash equivalents	(2,799)	(2,349)		
Cash and cash equivalents at end of the period \$ 1,592 \$ 4,824	Cash and cash equivalents at beginning of the period	4,391	7,173		
	Cash and cash equivalents at end of the period	\$ 1,592	\$ 4,824		

**Retrospectively restated for effect of the 1-for-5 reverse stock split effective on January 18, 2023.