

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2023**

OR

☐ **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: **0-30351**

SPI ENERGY CO., LTD.

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands	20-4956638
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
4803 Urbani Ave., Mc Clellan Park, CA	95652
(Address of Principal Executive Offices)	(Zip Code)

(408) 919-8000

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Ordinary Shares, par value \$0.0001 per share	SPI	NASDAQ Global Select Market

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, a smaller reporting company, or an emerging growth company. See 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 ☐

Non-Accelerated Filer ☒

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 18, 2023, 30,856,406 ordinary shares, par value \$0.0001 per share, were issued and outstanding.

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PART I

Item 1. Financial Statements

SPI ENERGY CO., LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data)

	June 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,516	\$ 3,533
Restricted cash	1,374	6,743
Accounts receivable, net	24,553	22,691
Contract asset	469	1,403
Inventories	35,288	28,987
Project assets held for sale	6,135	10,634
Prepaid expenses and other current assets, net	9,395	7,633
Amount due from related parties	407	332
Total current assets	82,137	81,956
Intangible assets, net	2,148	2,587
Goodwill	4,896	4,896
Restricted cash, noncurrent	—	711
Other receivable, noncurrent	423	234
Property and equipment, net	41,964	41,556
Project assets, noncurrent	15,507	14,918
Investment in an affiliate	69,606	69,606
Net investment in leases	217	—
Operating lease right-of-use assets	12,714	14,152
Deferred tax assets, net	927	479
Total assets	\$ 230,539	\$ 231,095
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 38,091	\$ 30,405
Accrued liabilities	14,608	15,972
Income taxes payable	3,777	3,511
Advance from customers	7,905	8,634
Deferred income	649	503
Short-term borrowings and current portion of long-term borrowings	7,520	10,064
Amount due to an affiliate	10,567	10,548
Convertible bonds, current	45,250	42,676
Derivative liability	4,289	3,406
Accrued warranty reserve	849	754
Operating lease liabilities, current	1,589	1,607
Consideration payable	63,726	61,617
Total current liabilities	198,820	189,697
Long-term borrowings, excluding current portion	6,692	6,597
Convertible bonds, noncurrent	1,170	—
Deferred tax liabilities, net	2,596	2,673
Operating lease liabilities, non-current	13,053	14,256
Total liabilities	222,331	213,223
Equity:		
Ordinary shares, par \$0.0001, 500,000,000 shares authorized, 30,292,960 and 30,292,960 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	3	3
Additional paid in capital	720,718	719,697
Accumulated other comprehensive loss	(35,534)	(36,697)
Accumulated deficit	(682,691)	(670,811)
Total equity attributable to the shareholders of SPI Energy Co., Ltd.	2,496	12,192
Noncontrolling interests	5,712	5,680
Total equity	8,208	17,872
Total liabilities and equity	\$ 230,539	\$ 231,095

SPI ENERGY CO., LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for share and per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenues	\$ 58,850	\$ 48,584	\$ 106,773	\$ 87,119
Cost of revenue	53,612	44,712	97,039	80,538
Gross profit	5,238	3,872	9,734	6,581
Operating expenses:				
General and administrative	6,287	7,625	16,814	16,753
Sales, marketing and customer service	1,186	1,368	2,386	2,611
Provision (reversal) for credit losses	832	474	869	(209)
Total operating expenses	8,305	9,467	20,069	19,155
Operating loss	(3,067)	(5,595)	(10,335)	(12,574)
Other (expense) income:				
Interest expense, net	(2,375)	(1,637)	(4,364)	(3,038)
Change in fair value of derivative liability	(361)	—	(589)	—
Net foreign exchange (loss) gain	(245)	2,262	(1,088)	3,324
Others	4,093	3,207	5,056	3,995
Total other (expense) income, net	1,112	3,832	(985)	4,281
Net loss before income taxes	(1,955)	(1,763)	(11,320)	(8,293)
Income tax expense	686	455	1,070	711
Net loss	\$ (2,641)	\$ (2,218)	\$ (12,390)	\$ (9,004)
Less: Net (loss) income attributable to noncontrolling interests	(169)	95	(510)	154
Net loss attributable to shareholders of SPI Energy Co., Ltd.	\$ (2,472)	\$ (2,313)	\$ (11,880)	\$ (9,158)
Net loss per ordinary share:				
Basic and Diluted	\$ (0.08)	\$ (0.08)	\$ (0.39)	\$ (0.34)
Weighted average shares outstanding				
Basic and Diluted	30,292,960	27,428,544	30,292,960	26,604,944

The accompany notes are an integral part of these unaudited condensed consolidated financial statements.

SPI ENERGY CO., LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (2,641)	\$ (2,218)	\$ (12,390)	\$ (9,004)
Other comprehensive income (loss), net of tax of nil:				
Foreign currency translation adjustments	(128)	(2,427)	478	(2,362)
Total comprehensive loss	(2,769)	(4,645)	(11,912)	(11,366)
Comprehensive income (loss) attributable to noncontrolling interests	(171)	69	(1,195)	(535)
Comprehensive loss attributable to shareholder of SPI Energy Co., Ltd.	\$ (2,598)	\$ (4,714)	\$ (10,717)	\$ (10,831)

The accompany notes are an integral part of these unaudited condensed consolidated financial statements.

SPIENERGY CO., LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except for share and per share data)

	Ordinary Shares		Additional	Accumulated	Accumulated	Equity	Noncontrolling	Total
	Shares	Amount	Paid-In	Deficit	Other	Attributable	Interests	Equity
			Capital		Comprehensive	to		
					Loss	Shareholders		
						of SPI		
						Energy		
						Co., Ltd.		
Balances at December 31, 2022	30,292,960	\$ 3	\$ 719,697	\$ (670,811)	\$ (36,697)	\$ 12,192	\$ 5,680	\$ 17,872
Net loss	—	—	—	(9,408)	—	(9,408)	(341)	(9,749)
Foreign currency translation adjustments	—	—	—	—	1,289	1,289	(683)	606
Issuance of common stock of Phoenix for standby equity purchase agreement of Phoenix	—	—	—	—	—	—	1,155	1,155
Share-based compensation expense	—	—	617	—	—	617	—	617
Balances at March 31, 2023	30,292,960	\$ 3	\$ 720,314	\$ (680,219)	\$ (35,408)	\$ 4,690	\$ 5,811	\$ 10,501
Net loss	—	—	—	(2,472)	—	(2,472)	(169)	(2,641)
Foreign currency translation adjustments	—	—	—	—	(126)	(126)	(2)	(128)
Issuance of common stock of Phoenix for standby equity purchase agreement of Phoenix	—	—	—	—	—	—	72	72
Share-based compensation expense	—	—	404	—	—	404	—	404
Balances at June 30, 2023	30,292,960	\$ 3	\$ 720,718	\$ (682,691)	\$ (35,534)	\$ 2,496	\$ 5,712	\$ 8,208

	Ordinary Shares		Additional	Accumulated	Accumulated	Equity	Noncontrolling	Total
	Shares	Amount	Paid-In	Deficit	Other	Attributable	Interests	Equity
			Capital		Comprehensive	to		
					Loss	Shareholders		
						of SPI		
						Energy		
						Co., Ltd.		
Balances at December 31, 2021	25,352,060	\$ 3	\$ 695,073	\$ (637,390)	\$ (35,257)	\$ 22,429	\$ 3,521	\$ 25,950
Net loss	—	—	—	(6,845)	—	(6,845)	59	(6,786)
Foreign currency translation adjustments	—	—	—	—	728	728	(663)	65
Issuance of restricted share units to employees	229,888	—	623	—	—	623	—	623
Settlement of convertible debt with ordinary shares	752,393	—	1,750	—	—	1,750	—	1,750
Issuance of ordinary shares for settlement of consideration related to Acquisition of Phoenix	42,442	—	—	—	—	—	—	—
Share-based compensation expense	—	—	595	—	—	595	—	595
Balances at March 31, 2022	26,376,783	\$ 3	\$ 698,041	\$ (644,235)	\$ (34,529)	\$ 19,280	\$ 2,917	\$ 22,197
Net loss	—	—	—	(2,313)	—	(2,313)	95	(2,218)
Foreign currency translation adjustments	—	—	—	—	(2,401)	(2,401)	(26)	(2,427)
Settlement of convertible debt with ordinary shares	1,615,784	—	5,337	—	—	5,337	—	5,337
Issuance of ordinary shares of Phoenix in its IPO	—	—	11,344	—	—	11,344	2,094	13,438
Share-based compensation expense	—	—	340	—	—	340	—	340
Balances at June 30, 2022	27,992,567	\$ 3	\$ 715,062	\$ (646,548)	\$ (36,930)	\$ 31,587	\$ 5,080	\$ 36,667

The accompany notes are an integral part of these unaudited condensed consolidated financial statements.

SPI ENERGY CO., LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net cash used in operating activities	\$ (5,484)	\$ (11,539)
Cash flows from investing activities:		
Purchase of property and equipment	(1,994)	(2,022)
Proceeds from disposal of property and equipment	—	1,635
Net cash used in investing activities	(1,994)	(387)
Cash flows from financing activities:		
Repayment of borrowings	(5,000)	(82,296)
Proceeds from borrowings	2,445	82,714
Proceeds from issuance of convertible bond	1,464	2,000
Proceeds from IPO of a subsidiary	—	13,438
Proceeds received from standby equity purchase agreement of Phoenix	1,227	—
Net cash provided by financing activities	136	15,856
Effect of exchange rate changes on cash	2,245	(522)
Increase (decrease) in cash, cash equivalents and restricted cash	(5,097)	3,408
Cash, cash equivalents and restricted cash at beginning of period	10,987	17,845
Cash, cash equivalents and restricted cash at end of period	\$ 5,890	\$ 21,253

Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets

Cash and cash equivalents	4,516	13,624
Restricted cash	1,374	7,629
Total cash, cash equivalents, and restricted cash	\$ 5,890	\$ 21,253
Supplemental cash flow information:		
Interest paid	\$ 2,295	\$ 1,458
Income tax paid	\$ 1,347	\$ –
Non-cash activities:		
Right of use assets obtained in exchange for operating lease obligations	\$ –	\$ 428
Inventories transferred to PPE	\$ 163	\$ –
Settlement of convertible debt with ordinary shares	\$ –	\$ 7,087
Derecognition of ROU assets and lease liabilities upon lease termination	\$ 693	\$ –
Derivative liabilities recorded as debt discount	\$ 294	\$ –

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

SPI ENERGY CO., LTD.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in US\$ thousands, except share and per share data)

1. Description of Business and Organization

Description of Business

SPI Energy Co., Ltd. ("SPI Energy" or the "Company") and its subsidiaries (collectively the "Group") is engaged in the provision of photovoltaic ("PV"), roofing and solar energy systems installation, and electric vehicle ("EV") solutions for business, residential, government and utility customers and investors. The Group is also starting to assemble solar modules for sale in the United States in 2022.

Organization

The major subsidiaries of the Group as of June 30, 2023 are summarized as below:

Major Subsidiaries	Abbreviation	Location
SolarJuice Co., Ltd	SJ Cayman	Cayman
Solar Juice Pty Ltd.	SJ Australia	Australia
Solarjuice American Inc.	SJ US	United States
Sloar4america Technology Inc. (formerly named Solarjuice Technology Inc.)	SJT	United States
Italsolar S.r.l.	SPI Italy	Italy
SPI Solar Japan G.K.	SPI Japan	Japan
Solar Power Inc UK Service Limited	SPI UK	United Kingdom
SPI Solar Inc.	SPI US	United States
Heliostrixio S.A.	Heliostrixio	Greece
Heliohrisi S.A.	Heliohrisi	Greece
Thermi Sun S.A.	Thermi Sun	Greece
Knight Holding Corporation	Knight	United States
Edisonfuture Inc.	Edisonfuture	United States
Phoenix Motor Inc.	Phoenix	United States
Phoenix Motorcars Leasing LLC	PML	United States

On January 1, 2017, the Group deconsolidated one of the major subsidiaries, Sinsin Renewable Investment Limited ("Sinsin") due to loss of control and recognized the investment in Sinsin at the carrying amount of \$69,606. Both the Group and the former shareholders of Sinsin, Sinsin Europe Solar Asset Limited Partnership and Sinsin Solar Capital Limited Partnership (collectively, the "Sinsin Group"), failed to fulfill the obligation under the share sale and purchase agreement of Sinsin, which led to that both parties filed petitions to each other. The petitions directly affected the Group's ability to effectively control Sinsin and make any direct management decisions or have any direct impact on Sinsin's policies, operations or assets without the agreement of Sinsin Group. On October 29, 2020, an arbitration decision was made in Malta that the Group will need to pay the unpaid consideration of EUR 38,054, together with interest at 6% accruing from November 20, 2015 on half of the unpaid consideration and from June 30, 2016 on the remaining half of the unpaid consideration to the date of eventual payment. The Group filed an application for appeals but was turned down by the court of Malta on November 12, 2021. The Group further filed an application of retrial and suspension of the enforcement of the awards but was rejected by the court of Malta on March 30, 2022. On November 2, 2022, Sinsin filed an action to confirm these arbitral awards pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958 ("New York Convention") as implemented by the Federal Arbitration Act ("FAA") before U.S. District Court Eastern District of California. On April 27, 2023, Sinsin filed amended petition to add a request for an award of attorneys' fees incurred in connection with the petition, add detail on the allegedly owed costs and liabilities, and request that the court issue an injunction against asset dissipation pending satisfaction of the requested judgment. The Group has filed opposition to amended petition and motion to confirm arbitral award on May 11, 2023, and currently the case is still under court review. (Note 8(b)). As of June 30, 2023 and December 31, 2022, investment in Sinsin was \$69,606, and there was no impairment for the six months ended June 30, 2023 and 2022. Consideration payable, including accrued interest and litigation fees payable, was \$63,726 and \$61,617 as of June 30, 2023 and December 31, 2022, respectively. The interest expense accrued on the unpaid consideration was \$1,234 and \$1,249 for the six months ended June 30, 2023 and 2022, respectively.

"PEV" ("Phoenix IPO"). Phoenix issued 2,100,000 ordinary shares at \$7.5 per share. Net proceeds from the Phoenix IPO after deducting underwriting commissions, share issuance costs and offering expenses approximately amounted to \$13,438.

2. Going concern

The Group's condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of the business. The Group had recurring losses from operations. The Group has incurred a net loss of \$12,390 during the six months ended June 30, 2023, and the cash flow used in operating activities was \$ 5,484. As of June 30, 2023, there is net working capital deficit of \$116,683 and accumulated deficit of \$ 682,691. These factors raise substantial doubt as to the Group's ability to continue as a going concern. The Group intends to continue implementing various measures to boost revenue and control the cost and expenses within an acceptable level and other measures including: 1) negotiate with potential buyers on PV solar projects; 2) negotiate for postponing of convertible bond payments; 3) improve the profitability of the business in US; 4) strictly control and reduce business, marketing and advertising expenses; 5) obtain equity financing from certain subsidiaries' initial public offerings; and 6) seek for certain credit facilities. There is no assurance that the group will be successful in meeting its liquidity and cash flow requirements. The Group's condensed consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted.

In the opinion of management, the information reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature. Quarterly results are not necessarily indicative of results for the full year. The condensed consolidated balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

(b) Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the Group to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting estimates reflected in the Group's unaudited condensed consolidated financial statements include the allowance for doubtful accounts receivable and other receivable, the impairment of goodwill and long-lived assets, fair value of derivative liability and share based compensation. Changes in facts and circumstances may result in revised estimates. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(c) Revenue Recognition

The Group's accounting practices under Accounting Standards Codification ("ASC") No. 606 are as followsings:

The Group generates revenue from sales of PV components, sales of self-assembled solar modules, roofing and solar energy systems installation, electricity revenue with Power Purchase Agreements ("PPAs"), sales of PV project assets, sales and leasing of EV, and others for the six months ended June 30, 2023 and 2022.

Sale of PV components

Revenue on sale of PV components includes one performance obligation of delivering the products and the revenue is recognized at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or acceptance of the customer depending on the terms of the underlying contracts.

Sales of self-assembled solar modules

Revenue on sale of self-assembled solar modules includes one performance obligation of delivering the products and the revenue is recognized at a point in time following the transfer of control of such products to the customer, which typically occurs upon the delivery to the customer.

Revenue from roofing and solar energy systems installation

Revenue from roofing and solar energy system installation is recognized over time.

For revenue from solar energy system installation, the Group's only performance obligation is to design and install a customized solar energy system, sometimes, reinstall the customer's existing solar energy system. For revenue from roofing the Group's only performance obligation is to design and build roof system per customer specifications.

The Group's roofing projects involve the construction of a specific roof systems in accordance with each customer's selection; the Group's solar energy system installations involve solar modules being retrofitted to existing consumer roofs using rails, then connected to the utility using an inverter system. For both solar energy system installation and roofing, typically jobs are completed within three months, the specific timing depends on the size of the job and the complexity of the job site, and the contract price includes all material and labor needed, and payments are collected based on specific milestones.

The Group provides solar energy systems and roofing installation for various customers, such as homeowners and real estate developers, but the design and installation for each customer differs substantially on the basis of each customer's needs and the type of shingle or roof that is placed with the solar energy system. The asset consequently has no alternative use to the Group because the customer specific design limits the Group's practical ability to readily direct the solar energy system to another customer. As such the Group's performance does not create an asset with an

alternative use to the Group. Pursuant to the contract, the customers agree to pay for any costs, expenses and losses incurred by the Group upon termination, and therefore, revenue is recognized over time according to ASC 606-10-25-27(c).

For both solar energy system installation and roofing, all costs to obtain and fulfill contracts associated with system sales and other product sales are expensed to cost of revenue when the corresponding revenue is recognized.

The Group recognizes revenue using a cost-based input method that recognizes revenue and gross profit as work is performed based on the relationship between actual costs incurred compared to the total estimated cost of the contract, to determine the Group's progress towards contract completion and to calculate the corresponding amount of revenue and gross profit to recognize. The total estimated cost of the contract constitutes of material cost and labor cost, and are developed based on the size and specific situation of different jobs. Changes in estimates are mainly due to: (i) unforeseen field conditions that impacts the estimated workload, and (ii) change of the unit price of material or labor cost.

If the estimated total costs on any contract are greater than the net contract revenues, the Group recognizes the entire estimated loss in the period the loss becomes known.

Electricity revenue with PPAs

The Group sells energy generated by PV solar power systems under PPAs. For energy sold under PPAs, the Group recognizes revenue each period based on the volume of energy delivered to the customer (i.e., the PPAs off-taker) and the price stated in the PPAs. The Group has determined that none of the PPAs contains a lease since (i) the purchaser does not have the rights to operate the PV solar power systems, (ii) the purchaser does not have the rights to control physical access to the PV solar power systems, and (iii) the price that the purchaser pays is at a fixed price per unit of output.

Sale of PV project asset

The Group's sales arrangements for PV projects do not contain any forms of continuing involvement that may affect the revenue or profit recognition of the transactions, nor any variable considerations for energy performance guarantees, minimum electricity end subscription commitments. The Group therefore determined its single performance obligation to the customer is the sale of a completed solar project. The Group recognizes revenue for sales of solar projects at a point in time after the solar project has been grid connected and the customer obtains control of the solar project.

Revenue from sales and leasing of EV

The Group recognizes revenue from sales of EV at a point in time following the transfer of control of such products to the customer, which typically occurs upon the delivery to the customer for EV sales. The Group determined that the government grants related to sales of EV should be considered as part of the transaction price because it is granted to the EV buyer and the buyer remains liable for such amount in the event the grants were not received by the Group or returned due to the buyer violates the government grant terms and conditions.

EV leasing revenue includes revenue recognized under lease accounting guidance for direct leasing programs. The Group accounts for these leasing transactions as sales-type or operating leases under ASC 842 Leases, and selling profits are recognized at the commencement date and interest income from the lease is recognized over the lease term for sales-type leases, while revenues are recognized on a straight-line basis over the contractual term for operating leases.

Other revenue

Other revenue mainly consists of sales of self-assembled solar modules, sales of component and charging stations, sales of forklifts, engineering and maintenance service, shipping and delivery service, sales of pre-development solar projects and others. Other revenues are recognized at a point in time following the transfer of control of such service or products to the customer, which typically occurs upon shipment of product or acceptance of the customer depending on the terms of the underlying contracts.

Disaggregation of revenues

The following table illustrates the disaggregation of revenue by revenue stream and by geographical location for the three and six months ended June 30, 2023 and 2022:

By revenue stream		For the six months ended June 30, 2023 (Unaudited)					
	Sales of PV components	Sales of self-assembled solar modules	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Australia	\$ 74,027	\$ —	\$ —	\$ —	\$ —	\$ 610	\$ 74,637
United States	—	18,739	1,425	147	2,083	7,599	29,993
Japan	—	—	—	—	—	42	42
Italy	—	—	—	307	—	—	307
United Kingdom	—	—	—	644	—	—	644
Greece	—	—	—	1,150	—	—	1,150
Total	\$ 74,027	\$ 18,739	\$ 1,425	\$ 2,248	\$ 2,083	\$ 8,251	\$106,773

By revenue stream	For the three months ended June 30, 2023 (Unaudited)					
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	Sales of PV components	Sales of self-assembled solar modules	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Australia	\$ 39,030	\$ —	\$ —	\$ —	\$ —	\$ 326	\$39,356
United States	—	9,719	546	107	842	7,039	18,253
Japan	—	—	—	—	—	24	24
Italy	—	—	—	150	—	—	150
United Kingdom	—	—	—	400	—	—	400
Greece	—	—	—	667	—	—	667
Total	\$ 39,030	\$ 9,719	\$ 546	\$ 1,324	\$ 842	\$ 7,389	\$58,850

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<i>By revenue stream</i>	For the six months ended June 30, 2022 (Unaudited)					
	Sales of PV components	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Australia	\$ 59,554	\$ –	\$ –	\$ –	\$ 442	\$ 59,996
Italy	–	–	468	–	–	468
United States	1,303	20,153	–	1,063	1,853	24,372
United Kingdom	–	–	932	–	–	932
Greece	–	–	1,351	–	–	1,351
Total	\$ 60,857	\$ 20,153	\$ 2,751	\$ 1,063	\$ 2,295	\$ 87,119

<i>By revenue stream</i>	For the three months ended June 30, 2022 (Unaudited)					
	Sales of PV components	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Australia	\$ 31,530	\$ —	\$ —	\$ —	\$ 300	\$ 31,830
Italy	—	—	212	—	—	212
United States	1,303	11,364	—	538	1,712	14,917
United Kingdom	—	—	781	—	—	781
Greece	—	—	844	—	—	844
Total	\$ 32,833	\$ 11,364	\$ 1,837	\$ 538	\$ 2,012	\$ 48,584

<i>By timing of revenue recognition</i>		For the six months ended June 30, 2023 (Unaudited)					
	Sales of PV components	Sales of self-assembled solar modules	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Goods transferred at a point in time	\$ 74,027	\$ 18,739	\$ —	\$ 2,248	\$ 1,868	\$ 8,251	\$105,133
Service transferred over time	—	—	1,425	—	—	—	1,425
On a straight-line basis under ASC 842	—	—	—	—	215	—	215
Total	\$ 74,027	\$ 18,739	\$ 1,425	\$ 2,248	\$ 2,083	\$ 8,251	\$106,773

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<i>By timing of revenue recognition</i>		For the three months ended June 30, 2023 (Unaudited)					
	Sales of PV components	Sales of self-assembled solar modules	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Goods transferred at a point in time	\$ 39,030	\$ 9,719	\$ —	\$ 1,324	\$ 717	\$ 7,389	\$58,179
Service transferred over time	—	—	546	—	—	—	546
On a straight-line basis under ASC 842	—	—	—	—	125	—	125

Total	\$ 39,030	\$ 9,719	\$ 546	\$ 1,324	\$ 842	\$ 7,389	\$58,850
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By timing of revenue recognition

For the three months ended June 30, 2022 (Unaudited)						
	Sales of PV components	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Goods transferred at a point in time	\$ 60,857	\$ –	\$ 2,751	\$ 788	\$ 2,295	\$ 66,691
Service transferred over time	–	20,153	–	–	–	20,153
On a straight-line basis under ASC 842	–	–	–	275	–	275
Total	\$ 60,857	\$ 20,153	\$ 2,751	\$ 1,063	\$ 2,295	\$ 87,119

By timing of revenue recognition

For the three months ended June 30, 2022 (Unaudited)						
	Sales of PV components	Revenue from roofing and solar systems installation	Electricity revenue with PPAs	Automotive sales & leasing	Others	Total
Goods transferred at a point in time	\$ 32,833	\$ –	\$ 1,837	\$ 401	\$ 2,012	\$ 37,083
Service transferred over time	–	11,364	–	–	–	11,364
On a straight-line basis under ASC 842	–	–	–	137	–	137
Total	\$ 32,833	\$ 11,364	\$ 1,837	\$ 538	\$ 2,012	\$ 48,584

Contract balance

The following table provides information about accounts receivable, contract assets and contract liabilities from contracts with customers:

	June 30, 2023 (Unaudited)	December 31, 2022
Accounts Receivable	\$ 24,553	\$ 22,691
Contract assets	469	1,403
Advance from customers	7,905	8,634

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date, primarily for the revenue from roofing and solar energy systems installation in the United States. The contract assets are transferred to receivables when the rights become unconditional after billing is issued.

Advance from customers, which represent a contract liability, represent mostly unrecognized amount received for customers. Advance from customers is recognized as (or when) the Group performs under the contract. During the six months ended June 30, 2023 and 2022, the Group recognized \$8,634 and \$4,924 as revenue that was included in the balance of advance from customers at January 1, 2023 and 2022, respectively.

(d) Leases

Lessor Accounting

During the six months ended June 30, 2023, the Group amended agreements with the customers related to the leased EVs to renew the lease term. Since there was no grant of additional right-of-use assets, the Group did not account for the modified lease agreements as new leases but accounted for the original lease and the modified lease agreements as a combined lease. The Group reviewed the combined lease agreements and considered that (i) the lease term represents for the major part (greater than 75%) of the economic life of the underlying equipment; and (ii) the present value of the sum of lease payments and any residual value guaranteed by the lessee that has not already been included in lease payments equals or exceeds substantially (greater than 90%) all of the fair value of the underlying asset.

The modified EV lease agreements are thus accounted for as sales-type leases. Under sales-type lease accounting, at the commencement date, the lessor recognizes a net investment in the lease, based on the estimated fair value of the underlying leased assets at contract inception, and derecognizes the underlying assets with the difference recorded as selling profit or loss arising from the lease, and interest income from the lease is recognized over the lease term.

The net investment in leases was \$295 as of June 30, 2023. During the six months ended June 30, 2023, gain on sales-type leases was \$99.

Annual minimum undiscounted lease payments under the Group's sales-type leases were as follows as of June 30, 2023:

In Thousands	Sales-type (Unaudited)
Years Ending December 31,	
Remainder of 2023	\$ 74
2024	43
2025	43
2026	11
2027	—
2028 and thereafter	—
Total lease receipt payments	171
Less: Imputed interest	(14)
Total lease receivables (1)	157
Unguaranteed residual assets	138
Net investment in leases	\$ 295
Net investment in leases - Current	\$ 78
Net investment in leases - Non-current	\$ 217

- (1) Current portion of \$78 of total lease receivables was included in prepaid and other current assets on the balance sheet.

(e) Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08"), which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers ("ASC 606"). The update will generally result in an entity recognizing contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date rather than at fair value. ASU 2021-08 is effective on a prospective basis for fiscal years beginning after December 15, 2022, with early adoption permitted. The Group adopted ASU 2021-08 effective January 1, 2023 and apply the guidance to subsequent acquisitions. The adoption of ASU 2021-08 will only impact the accounting for the Group's future acquisitions.

Accounting Pronouncements Issued But Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"), which provides elective amendments for entities that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. These amendments were effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), to expand and clarify the scope of Topic 848 to include derivative instruments on discounting transactions. The amendments in this ASU are effective in the same timeframe as ASU 2020-04. In December 2022, the FASB issued ASU 2022-06, Reference Rate reform (Topic 848): Deferral of the Sunset Date of Topic 848, which deferred the sunset date of Topic 848, Reference Rate Reform to December 31, 2024. The Group is currently evaluating the impact this guidance will have on its consolidated financial statements.

The Group does not believe other recently issued but not yet effective accounting standards, if currently adopted, would have a material effect on the unaudited condensed consolidated balance sheets, statements of operations and cash flows.

4. Accounts Receivable, Net

The accounts receivable, net as of June 30, 2023 and December 31, 2022 consisted of the following:

	June 30, 2023 (Unaudited)	December 31, 2022
Accounts receivable	27,172	24,441
Less: Allowance for credit losses	(2,619)	(1,750)
Accounts receivable, net	24,553	22,691

For the six months ended June 30, 2023, the Group recorded credit losses with amount of \$ 869. For the six months ended June 30, 2022, the Group reversed bad debt provision of \$209.

5. Inventories

Inventories as of June 30, 2023 and December 31, 2022 consisted of the following:

	June 30, 2023 (Unaudited)	December 31, 2022
Finished goods	28,405	22,074
Goods in transit	721	737
Work in process	80	1,529

Raw materials	6,082	4,647
Total inventories	35,288	28,987

For the six months ended June 30, 2023 and 2022, the Group recorded \$ 1,075 and nil write-downs for inventories, respectively, to reflect the lower of cost or net realizable value.

6. Share-based Compensation

The following table summarizes the consolidated share-based compensation expense, by type of awards:

	For the three months Ended		For the six months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Employee stock options	\$ 404	\$ 340	\$ 1,021	\$ 935
Restricted share grants	–	–	–	623
Total share-based compensation expense	404	340	1,021	1,558

The following table summarizes the consolidated share-based compensation by line items:

	For the three months Ended		For the six months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
General and administrative	\$ 398	\$ 343	\$ 1,010	\$ 1,554
Sales, marketing and customer service	6	(3)	11	4
Total share-based compensation expense, net of nil income taxes	404	340	1,021	1,558

7. Net Loss Per Share

As a result of the net loss for the three and six months ended June 30, 2023 and 2022, there is no dilutive impact to the net loss per share calculation for the period.

For the three and six months ended June 30, 2023 and 2022, the following securities were excluded from the computation of diluted net loss per share as inclusion would have been anti-dilutive.

	For the three months Ended (Unaudited)		For the six months Ended (Unaudited)	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Share options and non-vested restricted stock	5,000	10,000	5,000	10,000
Convertible bonds	559,905	582,000	546,355	582,000
Total	564,905	592,000	551,355	592,000

8. Commitments and Contingencies

(a) Commitments

As of June 30, 2023, the Group had other commitments of approximately \$ 1,596. These commitments were solely related to contracts signed with vendors for research and development by the Group and are expected to be paid in one year.

(b) Contingencies

On January 26, 2018, Sinsin Group filed a complaint against the Group requesting the payment of outstanding purchase price and related interest of \$43,595 (EUR 38,054). On June 25, 2018, an interim measures judgment was made which appointed an interim management of Sinsin, consisting of two members elected by Sinsin Group and one member elected by the Group. The interim management would manage the bank accounts of Sinsin and collect the proceeds of electric energy revenue. On October 29, 2020, an arbitration decision was made that the Group will need to pay the outstanding purchase price of \$43,595 (EUR 38,054), together with interest at 6% accruing from November 20, 2015 on half of the outstanding purchase and from September 30, 2016 on the remaining half of the outstanding purchase price to the date of eventual payment. The Group filed an application for appeals in the court of Malta but was turned down by the court in November 2021. The Group further filed an application for retrial and suspension of the enforcement of the awards. The application of retrial was rejected by the court on March 30, 2022. On November 2, 2022, Sinsin filed an action to confirm these arbitral awards pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958 ("New York Convention") as implemented by the Federal Arbitration Act ("FAA") before U.S. District Court Eastern District of California. On April 27, 2023, Sinsin filed amended petition to add a request for an award of attorneys' fees incurred in connection with the petition, add detail on the allegedly owed costs and liabilities, and request that the court issue an injunction against asset dissipation pending satisfaction of the requested judgment. The Group has filed opposition to amended petition and motion to confirm arbitral award on May 11, 2023, and currently the case is still under court review.

On February 16, 2023, Streeterville delivered a Redemption Notice to the Group to redeem \$350 of the 2022 Note with a deadline to pay the Redemption Amount by February 22, 2023. The Group failed to pay the Redemption Amount on time and such failure to pay is an Event of Default under the 2022 Note. Due to this Event of Default, (i) the base interest of the 2022 Note was increased to 15% per annum; (ii) the outstanding balance of the 2022 Note was increased by 15%; and (iii) the entire outstanding balance of the 2022 Note was accelerated and due on March 3, 2023. The Group failed to pay the outstanding balance of the 2022 Note by March 3, 2023 and as a result, Streeterville filed a complaint in the third judicial district court of Salt Lake County, requesting for actual damages in an amount not less than \$2,676, plus applicable interest, damages, charges, fees, attorney fees, and collection costs. On March 31, 2023, a hearing was held and the temporary restraining order requiring the Group to pay the 2022 Note in full from the proceeds of the IPO of its subsidiary, SolarJuice Co., Ltd. On June 26, 2023, Streeterville and the Group entered into a term sheet to mediate the dispute. The Group agreed to pay Streeterville \$375 in cash and \$400 in stock by July 5, 2023. After that, the Group agreed to pay Streeterville \$425 each month starting from July 31, 2023. Among the monthly installment payments, at least \$225 shall be paid in cash.

From time to time, the Group is involved in various other legal and regulatory proceedings arising in the normal course of business. While the Group cannot predict the occurrence or outcome of these proceedings with certainty, it does not believe that an adverse result in any pending legal or regulatory proceeding, individually or in the aggregate, would be material to the Group's consolidated financial condition or cash flows; however, an unfavorable outcome could have a material adverse effect on the Group's results of operations.

9. Concentration Risk

(a) Customers

A substantial percentage of the Group's net revenue comes from sales made to a large number of customers at a small transaction amount, to whom sales are typically made on an open account basis.

There was no customer of which the revenue accounted for 10% or more of total net revenue for the three months and six months ended June 30, 2023 and 2022.

As of June 30, 2023, there was no customer of which the accounts receivable accounted for 10% or more of total accounts receivable. As of December 31, 2022, there was one customer of which the accounts receivable accounted for 18% of total accounts receivable.

(b) Suppliers

As of June 30, 2023, there were two suppliers of which the accounts payable accounted for 21% and 15% of total accounts payable, respectively. As of December 31, 2022, there were two suppliers of which the accounts payable accounted for 14% and 11% of total accounts payable, respectively.

10. Related Party Transactions

The amount due from related parties were \$407 and \$332 as of June 30, 2023 and December 31, 2022, respectively, represented expenses paid by the Group on behalf of a related entity for business operations.

11. Segment information

For the three months and six months ended June 30, 2023 and 2022, there are three operating segments: (1) EV business, (2) renewable energy solutions business and (3) solar projects development business. The Group's CODM assess the performance of each segment based on revenue, cost of revenue and total assets. Other than the information provided below, the CODM does not use any other measures by segments.

Summarized information by segments for the three months and six months ended June 30, 2023 and 2022 is as follows:

	For the three months ended June 30, 2023 (Unaudited)				
	Renewable energy solutions	PV stations constructions and operations	Electric vehicles	Others	Total
	USD	USD	USD	USD	USD
Revenues from external customers	49,295	8,067	842	646	58,850
Cost of revenue	45,416	6,154	738	1,304	53,612
Gross profit (loss)	3,879	1,913	104	(658)	5,238

	For the three months ended June 30, 2022 (Unaudited)				
	Renewable energy solutions	PV stations constructions and operations	Electric vehicles	Others	Total
	USD	USD	USD	USD	USD
Revenues from external customers	44,498	2,479	1,490	117	48,584

Cost of revenue	43,137	573	1,174	(172)	44,712
Gross profit (loss)	1,361	1,906	316	289	3,872

For the six months ended June 30, 2023 (Unaudited)

	Renewable energy solutions	PV stations constructions and operations	Electric vehicles	Others	Total
	USD	USD	USD	USD	USD
Revenues from external customers	94,191	8,991	2,083	1,508	106,773
Cost of revenue	85,990	6,770	1,797	2,482	97,039
Gross profit (loss)	8,201	2,221	286	(974)	9,734

For the six months ended June 30, 2022 (Unaudited)

	Renewable energy solutions	PV stations constructions and operations	Electric vehicles	Others	Total
	USD	USD	USD	USD	USD
Revenues from external customers	81,453	3,388	2,161	117	87,119
Cost of revenue	77,625	1,000	1,725	188	80,538
Gross profit (loss)	3,828	2,388	436	(71)	6,581

Summarized information by segments as of June 30, 2023 and December 31, 2022 is as follows:

	As of June 30, 2023 (Unaudited) USD	As of December 31, 2022 USD
Segment assets		
Renewable energy solutions	80,696	71,260
Solar projects development	123,129	133,663
Electric vehicles	17,922	20,275
Others	8,792	5,897
Total segment assets	230,539	231,095

Total long-lived assets excluding financial instruments, intangible assets, long-term investment and goodwill by country were as follows:

	As of June 30, 2023 Unaudited USD	As of December 31, 2022 USD
Australia	325	398
United States	45,818	46,307
Japan	532	586
Italy	1,461	1,508
United Kingdom	8,243	7,945
Greece	13,806	13,882
Total long-lived assets	70,185	70,626

12. Subsequent Events

The Group has evaluated subsequent events through the date of issuance of the unaudited condensed consolidated financial statements, there were no subsequent events occurred that would require recognition or disclosure in the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report. Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The following discussion and analysis contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the

information set forth under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Readers are cautioned not to place undue reliance on these forward-looking statements.

Overview

We are a global provider of photovoltaic (PV) and electric vehicle (EV) solutions for business, residential, government and utility customers and investors. We develop solar PV projects which are either sold to third party operators or owned and operated by us for selling of electricity to the grid in multiple countries in Asia, North America and Europe. In Australia, we primarily sell solar PV components to retail customers and solar project developers. We started to engage in sales and leasing of new zero-emission EVs in U.S. from 2020 and engage in roofing and solar energy systems installation in U.S. from 2021 and commenced pilot production of "Made-in-America" solar modules in US in the second quarter of 2022.

Our liquidity position has deteriorated since 2015. We suffered a net loss of \$12.4 million during the six months ended June 30, 2023, and the cash flow used in operating activities was \$5.5 million. For a detailed discussion, please see "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources".

On June 10, 2022, our wholly owned subsidiary, Phoenix Motor Inc., a Delaware corporation, closed its initial public offering of 2,100,000 shares of common stock at a public offering price of \$7.50 per share, for aggregate gross proceeds of \$15.75 million before deducting underwriting discounts and commissions and offering expenses. The offering closed on June 10, 2022 and the common stock of Phoenix Motor Inc. began trading on June 8, 2022 on The Nasdaq Capital Market under the ticker symbol "PEV."

Basis of presentation, management estimates and critical accounting policies

Our unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include the accounts of our company, and all of our subsidiaries. We prepare financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. In order to understand the significant accounting policies that we adopted for the preparation of our unaudited condensed consolidated financial statements, readers should refer to the information set forth in Note 3 "Summary of significant accounting policies" to our audited financial statements in our 2022 Form 10-K.

Principal Factors Affecting Our Results of Operations

We believe that the following factors have had, and we expect that they will continue to have, a significant effect on the development of our business, financial condition and results of operations.

Market Demand

Our revenue and profitability depend substantially on the demand for our PV solutions, which is driven by the economics of PV systems, including the availability and size of government subsidies and other incentives, government support, cost improvements in solar power, as well as environmental concerns and energy demand. The world PV market in terms of new annual installations is expected to grow significantly in the next five years, providing engineering procurement construction ("EPC") service providers and solar project developers like us with significant opportunities to grow our business.

In the long term, as PV technology advances and the average system costs of solar projects decrease, we expect the market for electricity in a growing number of countries to achieve grid parity. As the PV industry becomes more competitive against other energy industries and widespread grid parity strengthens demand for solar projects, we expect our costs of sales to decrease and our revenue and profitability to increase.

In addition, the medium-duty EV market is expected to grow significantly over the next decade and there are many key factors are shaping the industry for accelerated growth over the next few years. Key factors driving this growth include government regulations requiring fleets to go electric, incentives and grant funding supporting commercial zero emission vehicle deployments, infrastructure deployments and corporate electrification mandates. Many large fleets who operate large truck and bus fleets have committed to go 100% electric over the next few years. This includes large delivery truck fleets like Amazon, FedEx, UPS, DHL, IKEA; also shuttle bus operators like transit agencies in Los Angeles, Orange County, and New York; and large corporate fleet owners like Genentech, Microsoft and Salesforce. All of the above factors, together with key technology catalysts, are expected to spur demand for medium-duty electric vehicles significantly over the next few years. Key technology drivers include reduction in battery costs and costs of other key components, making electric vehicles cheaper, and advances in EV drivetrain technology, including motor improvements that enable better performance and higher efficiencies; and refinements in high-voltage battery technology. The anticipated sales growth in this segment of the EV market is attributed both to new companies that started as electric vehicle manufacturers, as well as and conventional OEMs who are expected to start offering complete EV over the next few years.

As PV and energy storage technology advances and the average system costs decrease, in many cases the residential or small business owners of solar systems have effectively achieved grid parity for their systems. Aided by smart meter and virtual power plant technologies such systems can be an attractive alternative to electricity grid in many localities. We expect traditionally strong residential solar markets such as California and Australia to continue to grow. We anticipate capturing scale economies as the overall solar power market grows, and expect our costs of sales to decrease and our revenue and profitability to increase.

Government Subsidies and Incentive Policies

We believe that the growth of the solar power industry in the short term will continue to depend largely on the availability and effectiveness of government incentives for solar power products and the competitiveness of solar power in relation to conventional and other renewable energy resources in terms of cost. Countries in Europe, notably Italy, Germany, France, Belgium and Spain, certain countries in Asia, including Japan, India and South Korea, as well as Australia and the United States have adopted favorable renewable energy policies. Examples of government sponsored financial incentives to promote solar power include capital cost rebates, tax credits, net metering and other incentives to end users, distributors, project developers, system integrators and manufacturers of solar power products.

Governments may reduce or eliminate existing incentive programs for political, financial or other reasons, which will be difficult for us to predict. Electric utility companies or generators of electricity from fossil fuels or other renewable energy sources could also lobby for a change in the relevant legislation in their markets to protect their revenue streams. Government economic incentives could be reduced or eliminated altogether.

With growing emphasis on improving air quality around our communities, large states like California are mandating key end user segments to switch to zero emission transportation options. Some of the key regulations driving growth in our addressable market include:

- requiring all transit buses in California to be zero emissions by 2040;
- requiring all airport shuttles in California to be all electric by 2035,
- requiring at least 50% of all medium-duty trucks sold in California to electric by 2030,
- requiring specific end user segments like drayage and yard trucks to go electric.

Other states like New York, New Jersey and Massachusetts are also expected to bring in regulatory requirements for key end user segments like, transit agencies and school buses to switch to all electric transportation options. Fifteen other states including Connecticut, Colorado, Hawaii, Maine, Maryland, Massachusetts, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, Vermont, and Washington have committed to follow California's Advanced Clean Trucks Regulation. Primarily driven by the urgent need to meet carbon and greenhouse gas emission reduction targets, various state and federal agencies are also supporting the switch to zero emission transportation, providing a host of funding and incentive support to develop, demonstrate and deploy zero emission transportation solutions. Some of the key funding / incentives driving adoption of electric medium duty vehicles include:

- the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, which offers a minimum of \$60,000 per vehicle as incentive for Class 4 electric vehicles registered and operating in the state;
- the New York Truck Voucher Incentive Program offering up to \$100,000 per Class 4 electric vehicle;
- funding from federal agencies like the Federal Transit Administration, covering up to 80% of the cost of procuring electric transit buses and various funding options covering up to 100% of the cost of procuring all electric school buses across key states.
- Federal and various state agencies have established incentives for setting up both public and private charging infrastructure. Notably, the California Energy Commission and the California Public Utilities Commission have approved funding up to 100% of the cost of setting up chargers and related infrastructure. Large utilities like Southern California Edison, Pacific Gas & Electric and San Diego Gas & Electric have 'Charge Ready' programs that cover the entire cost of setting up charging infrastructure. Other states like New York, Chicago, North Carolina, Tennessee, Texas and Ohio have also introduced programs to support fleets with their charging infrastructure requirements.

Our Solar Power Generation and Operations Capabilities

Our financial condition and results of operations depend on our ability to successfully continue to develop new solar projects and operate our existing solar projects. We expect to build and manage a greater number of solar projects, which we expect to present additional challenges to our internal processes, external construction management, working capital management and financing capabilities. Our financial condition, results of operations and future success depend, to a significant extent, on our ability to continue to identify suitable sites, expand our pipeline of projects with attractive returns, obtain required regulatory approvals, arrange necessary financing, manage the construction of our solar projects on time and within budget, and successfully operate solar projects.

Results of Operations for the Three Months Ended June 30, 2023 and 2022

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations (in thousands) and each item expressed as a percentage of our total net sales. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

In thousand US\$	For the Three Months Ended June 30,			
	2023 (Unaudited)		2022 (Unaudited)	
Net revenues	\$ 58,850	100.0%	\$ 48,584	100.0%
Cost of revenues	53,612	91.1%	44,712	92.0%
Gross profit	5,238	8.9%	3,872	8.0%
Operating expenses:				
General and administrative	6,287	10.7%	7,625	15.7%
Sales, marketing and customer service	1,186	2.0%	1,368	2.8%
Provision for credit losses	832	1.4%	474	1.0%
Total operating expenses	8,305	14.1%	9,467	19.5%
Operating loss	(3,067)	-5.2%	(5,595)	-11.5%
Other (expense) income:				
Interest expenses, net	(2,375)	-4.0%	(1,637)	-3.4%
Change in fair value of derivative liability	(361)	-0.6%	—	—
Net foreign exchange (loss) gain	(245)	-0.4%	2,262	4.7%
Gain on sales-type leases	—	—	—	—
Others	4,093	7.0%	3,207	6.6%
Total other income, net	1,112	1.9%	3,832	7.9%
Net loss before income taxes	(1,955)	-3.3%	(1,763)	-3.6%
Income taxes expense	686	1.2%	455	0.9%
Net loss	\$ (2,641)	-4.5%	\$ (2,218)	-4.6%

Net revenues — Net revenues were \$58.9 million and \$48.6 million for the three months ended June 30, 2023 and 2022, respectively, representing an increase of \$10.3 million or 21.1%. The increase in net sales for the three months ended June 30, 2023 over the comparative period was primarily due to the increase of revenue from sales of PV components of \$6.2 million and \$9.7 million from sales of solar modules, and was partially net off by the decrease of revenue from roofing and solar energy systems installation of \$10.8 million. The increase was also due to the one-time sale of pre-developed PV projects of Oregon for \$6.7 million

Cost of revenues — Cost of revenues was \$53.6 million (91.1% of net revenue) and \$44.7 million (92.0% of net revenue) for the three months ended June 30, 2023 and 2022, respectively, representing an increase of \$8.9 million or 19.9%. The increase in cost of goods sold was consistent with the increase of net revenues.

Gross profit — Our gross profit increased to \$5.2 million in the three months ended June 30, 2023 from \$3.9 million in the three months ended June 30, 2022. Gross margins were 8.9% and 8.0% for the three months ended June 30, 2023 and 2022, respectively. The increase in gross margin was primarily due to the increase in gross margin of sales of solar modules and the decrease of total revenue from the low gross margin roofing and solar energy system installation and its percentage in the total revenue.

General and administrative expenses — General and administrative expenses were \$6.3 million (10.7% of net revenue) and \$7.6 million (15.7% of net revenue) for the three months ended June 30, 2023 and 2022, respectively, representing an decrease of \$1.3 million, or 17.5%. The decrease of general and administrative expenses was mainly due to the decrease in salaries and wages as well as stock-based compensation expenses due to employee resignations.

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Sales, marketing and customer service expenses — Sales, marketing and customer service expenses were \$1.2 million (2.0% of net revenue) and \$1.4 million (2.8% of net revenue) for the three months ended June 30, 2023 and 2022, respectively. The sales, marketing and customer service expenses kept relatively stable in the two periods.

Provision for credit losses — In the three months ended June 30, 2023 and 2022, we accrued credit loss provision of \$0.8 million and \$0.5 million, respectively, which are mainly due to additional provision made for the accounts receivable from the business of roofing and solar system installation business in the U.S.

Interest expense, net — Interest expense, net was \$2.4 million (4.0% of net sales) and \$1.6 million (3.4% of net sales) for the three months ended June 30, 2023 and 2022, respectively. The increase in interest expense was primarily due to penalty interest accrued from convertible bonds as well as debt discount amortization.

Net foreign exchange loss (gain) — We had a net foreign exchange loss of \$0.2 million (0.4% of net revenue) and a net foreign exchange gain of \$2.3 million (4.7% of net revenue) for the three months ended June 30, 2023 and 2022, respectively. The variance is mainly due the fluctuation of exchange rate for EUR/USD and AUD/USD.

Income tax expense — We had a provision for income taxes of \$0.7 million (1.2% of net revenue) and \$0.5 million (0.9% of net revenue) for the three months ended June 30, 2023 and 2022, respectively. The income tax expense kept stable as there was no significant change in profit before tax of our subsidiary in Australia.

Net loss — For the foregoing reasons, we incurred a net loss of \$2.6 million (4.5% of net revenue), for the three months ended June 30, 2023, representing an increase of net loss of \$0.4 million compared to a net loss of \$2.2 million (4.6% of net revenue) for the three months ended June 30, 2022.

Results of Operations for the Six Months Ended June 30, 2023 and 2022

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations (in thousands) and each item expressed as a percentage of our total net sales. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

In thousand US\$	For the Six Months Ended June 30,			
	2023 (Unaudited)		2022 (Unaudited)	
Net revenues	\$106,773	100.0%	\$87,119	100.0%
Cost of revenues	97,039	90.9%	80,538	92.4%
Gross profit	9,734	9.1%	6,581	7.6%
Operating expenses:				
General and administrative	16,814	15.7%	16,753	19.2%
Sales, marketing and customer service	2,386	2.2%	2,611	3.0%
Provision (reversal) for credit losses	869	0.8%	(209)	-0.2%
Total operating expenses	20,069	18.8%	19,155	22.0%
Operating loss	(10,335)	-9.7%	(12,574)	-14.4%
Other (expense) income:				
Interest expenses, net	(4,364)	-4.1%	(3,038)	-3.5%
Change in fair value of derivative liability	(589)	-0.6%	—	—
Net foreign exchange (loss) gain	(1,088)	-1.0%	3,324	3.8%
Gain on sales-type leases	99	0.1%	—	—
Others	4,957	4.6%	3,995	4.6%
Total other (expenses) income, net	(985)	-0.9%	4,281	4.9%
Net loss before income taxes	(11,320)	-10.6%	(8,293)	-9.5%
Income taxes expense	1,070	1.0%	711	0.8%
Net loss	\$ (12,390)	-11.6%	\$ (9,004)	-10.3%

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Net revenues — Net revenues were \$106.8 million and \$87.1 million for the six months ended June 30, 2023 and 2022, respectively, representing an increase of \$19.7 million or 22.6%. The increase in net sales for the six months ended June 30, 2023 over the comparative period was primarily due to the increase of revenue from sales of PV components of \$13.2 million and \$18.7 million from sales of solar modules, as well as a one-time sale of pre-developed PV project of Oregon for \$6.7 million, and was partially net off by the decrease of revenue from roofing and solar energy systems installation of \$18.7 million.

Cost of revenues — Cost of revenues was \$97.0 million (90.9% of net revenue) and \$80.5 million (92.4% of net revenue) for the six months ended June 30, 2023 and 2022, respectively, representing an increase of \$16.5 million or 20.5%. The increase in cost of goods sold was consistent with the increase of net revenues.

Gross profit — Our gross profit increased to \$9.7 million in the six months ended June 30, 2023 from \$6.6 million in the six months ended June 30, 2022. Gross margins were 9.1% and 7.6% for the six months ended June 30, 2023 and 2022, respectively. The increase in gross margin was primarily due to the increase in gross margin of sales of solar modules and the decrease of total revenue from the low gross margin roofing and solar energy system installation and its percentage in the total revenue.

General and administrative expenses — General and administrative expenses were \$16.8 million (15.7% of net revenue) and \$16.8 million (19.2% of net revenue) for the six months ended June 30, 2023 and 2022, respectively, representing an increase of \$0.06 million, or 0.4%. The general and administrative expenses kept stable in the two periods.

Sales, marketing and customer service expenses — Sales, marketing and customer service expenses were \$2.4 million (2.2% of net revenue) and \$2.6 million (3.0% of net revenue) for the six months ended June 30, 2023 and 2022, respectively. The sales, marketing and customer service expenses kept stable in the two periods.

Provision (reversal) for credit losses — In the six months ended June 30, 2023, we accrued credit loss provision of \$0.8 million which is mainly due to additional provision made for the accounts receivable from the business of sales of PV components in Australia. In the six months ended June 30, 2022, we reversed credit loss provision of \$0.2 million, primarily due to the strengthening monitoring on accounts receivable collection.

Interest expense, net — Interest expense, net was \$4.4 million (4.1% of net sales) and \$3.0 million (3.5% of net sales) for the six months ended June 30, 2023 and 2022, respectively. The increase in interest expense was primarily due to interest accrued from convertible bonds as well as debt discount amortization.

Net foreign exchange loss (gain) — We had a net foreign exchange loss of \$1.1 million (1.0% of net revenue) and a net foreign exchange gain of \$3.3 million (3.8% of net revenue) for the six months ended June 30, 2023 and 2022, respectively. The variance is mainly due the fluctuation of exchange rate for EUR/USD and AUD/USD.

Income tax expense — We had a provision for income taxes of \$1.1 million (1.0% of net revenue) and \$0.7 million (0.8% of net revenue) for the six months ended June 30, 2023 and 2022, respectively. The income tax expense kept stable as there was no significant change in profit before tax of our subsidiary in Australia.

Net loss — For the foregoing reasons, we incurred a net loss of \$12.4 million (11.6% of net revenue), for the six months ended June 30, 2023, representing an increase of net loss of \$3.4 million compared to a net loss of \$9.0 million (10.3% of net revenue) for the six months ended June 30, 2022.

Liquidity and Capital Resources

Historically, we have financed our operations primarily through cash flows from bank borrowings, financing from issuance of convertible bonds, operating activities, and the proceeds from private placements and registered offerings.

As of June 30, 2023, we had \$5.9 million in cash and cash equivalents, and restricted cash.

We suffered a net loss of \$12.4 million during the six months ended June 30, 2023, and the cash flow used in operating activities was \$5.5 million. As of June 30, 2022, there is net working capital deficit of \$116.7 million and accumulated deficit of \$682.7 million. These factors raise substantial doubt as to the Group's ability to continue as a going concern.

For the next 12 months from the issuance date of this report, we plan to continue implementing various measures to boost revenue and control the cost and expenses within an acceptable level. Such measures include: 1) negotiate with potential buyers on PV solar projects; 2) negotiate for postponing of convertible bond payments; 3) improve the profitability of the business in the United States ; 4) proactively implement a robust capital market strategy that includes both debt and equity offerings to meet the Group's financing needs; 5) strictly control and reduce business, marketing and advertising expenses and 6) seek for certain credit facilities.

If we fail to achieve these goals, we may need additional financing to repay debt obligations and execute our business plan, and we may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In the event that financing sources are not available, or that we are unsuccessful in increasing our gross profit margin and reducing operating losses, we may be unable to implement our current plans for expansion, repay debt obligations or respond to competitive pressures, any of which would have a material adverse effect on our business, financial condition and results of operations and may materially adversely affect our ability to continue as a going concern.

The unaudited condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern.

A summary of the sources and uses of cash and cash equivalents is as follows (in thousands):

	For the Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Net cash used in operating activities	\$ (5,484)	\$ (11,539)
Net cash used in investing activities	(1,994)	(387)

Net cash provided by financing activities	136	15,856
Effect of exchange rate changes on cash	2,245	(522)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ (5,097)</u>	<u>\$ 3,408</u>

Operating Activities

Net cash used in operating activities was \$5.5 million for the six months ended June 30, 2023, primarily as a result of (i) net loss of \$12.4 million, (ii) increase in inventories of \$7.5 million for purchasing raw materials for upcoming productions, (iii) decrease in lease liability of \$1.0 million, and (iv) increase in accounts receivable of \$1.8 million, (v) increase in prepaid expenses and other assets of \$1.8 million, (vi) decrease in accrued expenses and other current liabilities; the decrease was partially offset by (i) increase in accounts payable of \$7.7 million, (ii) depreciation and amortization of \$2.4 million, (iii) amortization of debt discount on convertible bond of \$2.0 million, (iv) amortization of right-of-use assets of \$1.2 million, (v) decrease in project assets of \$3.9 million, (vi) credit loss of \$0.8 million and inventory write-down of \$1.1 million and (vii) stock-based compensation expense of \$1.0 million.

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Net cash used in operating activities was \$11.5 million for the six months ended June 30, 2022, primarily as a result of (i) net loss of \$9.0 million, (ii) gain on forgiveness of PPP loan of \$5.1 million and (iii) increase in prepaid expenses and other assets of \$2.2 million, and (iv) decrease in advances from customers of \$1.8 million; was partially offset by (i) decrease in accounts receivable of \$3.7 million, (ii) loss on extinguishment of convertible bonds of \$2.2 million, and (iii) stock-based compensation expense of \$1.6 million.

Investing Activities

Net cash used in investing activities was \$2.0 million for six months ended June 30, 2023, primarily as a result of cash paid for purchase of property and equipment of \$2.0 million.

Net cash used in investing activities was \$0.4 million for six months ended June 30, 2022, primarily as a result of cash paid for purchase of property and equipment of \$2.0 million, partially offset by proceeds from disposal of equipment of \$1.6 million.

Financing Activities

Net cash provided by financing activities was \$0.1 million for the six months ended June 30, 2023, primarily consisted of (i) proceeds from borrowings of \$2.4 million, (ii) proceeds received from standby equity purchase agreement of Phoenix of \$1.2 million, and (iii) proceeds from issuance of convertible bond, net of debt discount of \$1.5 million, partially offset by (i) net repayment of borrowings of \$5 million.

Net cash generated from financing activities was \$15.9 million for the six months ended June 30, 2022, primarily consisted of (i) proceeds from IPO of Phoenix of \$13.4 million, (ii) proceeds from issuance of convertible note of \$2.0 million.

Capital Expenditures

We incurred capital expenditures of \$2.0 million and \$2.0 million for the six months ended June 30, 2023 and 2022, respectively. There are no capital commitments as of June 30, 2023.

Trend information

Our operating results substantially depend on revenues derived from sales of PV project assets, provision of electricity, our Australian subsidiary's trading of PV components, and our U.S. subsidiary's business on roofing and solar energy systems installation and sales, leasing of EVs, sales of forklifts, and sale of solar modules, respectively. As the COVID-19 spread and impact of the outbreak of war in Ukraine continues, the measures implemented to curb the spread of the virus and the crisis in Ukraine have resulted in supply chain disruptions, insufficient work force and suspended manufacturing and construction works for solar industry. In light of the rapidly changing situation across different countries and regions, it remains difficult to estimate the duration and magnitude of the impact of COVID-19 and the crisis in Ukraine.

Other than as disclosed elsewhere in this quarterly report, we are not aware of any trends, uncertainties, demands, commitments or events for the six months ended June 30, 2023 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause reported consolidated financial information not necessarily to be indicative of future operating results or financial conditions.

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Off-Balance Sheet Arrangements

As of June 30, 2023, we had no off-balance sheet arrangements that are or have been reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors. We have not entered into any derivative contracts that are indexed to our own shares and classified as shareholder's equity, or that are not reflected in our unaudited condensed consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

For more information on our contractual obligations, commitments and contingencies, see Note 8 to the unaudited condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter ended June 30, 2023, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial and accounting officer have concluded that during the period covered by this report, our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed by us in our Exchange Act reports 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 principal executive officer and principal financial and accounting officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

In connection with the audit of our consolidated financial statements for the year ended December 31, 2022, we identified following material weaknesses, in the design or operation of internal controls.

- (1) Failure to maintain an effective control environment of internal control over financial reporting;
- (2) Failure to develop an effective risk assessment process to identify and evaluate at a sufficient level of detail all relevant risks of material misstatement, including business, operational, and fraud risks;
- (3) Ineffective monitoring activities to assess the operation of internal control over financial reporting;
- (4) Ineffective process-level controls associated with the revenue, purchasing and inventory, treasury, property and equipment, tax, and payroll processes that (a) addressed relevant risks, (b) provided sufficient evidence of performance, and (c) established appropriate segregation of duties, during the financial reporting processes;

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- (5) Lack of sufficient controls designed and implemented for financial information processing and reporting and lacked resources with requisite skills for the financial reporting under U.S. GAAP; and
- (6) Lack of sufficient controls designed and implemented in IT environment and IT general control activities, which mainly associated with areas of logical access security, system change, computer operation and service organization control monitoring activities. Certain process-level automated controls and manual controls that are dependent on the completeness and accuracy of information derived from the affected information technology systems were also ineffective.

We intend to implement measures designed to improve the Company's internal control over financial reporting to address the underlying causes of these material weaknesses, including:

- (1) Strengthen overview and monitoring from the Company's governance, and set up the Company's internal audit department who reports to the audit committee directly, to ensure enhanced oversight over the Company's financial reporting function.
- (2) Engage a professional adviser to review, test and optimize the Company's internal control system, particularly focusing on the material weaknesses identified as above.
- (3) Launch and improve the internal control execution plan to supervise and monitor the operational functions.
- (4) Establish a formal and systematic risk assessment program and involve upper management to identify and analyze risks.
- (5) Provide our accounting team and other relevant personnel with more comprehensive guidelines and training on the policies and controls over financial reporting under U.S. GAAP and SEC rules and requirements
- (6) Strengthen the review controls on journal entries and accounting treatments and adjustment by providing our accounting team with more comprehensive guidelines on the policies and controls over financial reporting under U.S. GAAP and SEC rules and requirements.
- (7) Enhance management monitoring and review of key processes with more comprehensive guidelines on the policies and controls over financial reporting.
- (8) Strengthen the monitoring and evaluation of the independent and competent tax and accounting agencies.
- (9) Strengthen the supervision and controls on the IT functions, including the enhancement of logical security and monitor service provider

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter of 2023 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various legal proceedings arising in the normal course of business. While we cannot predict the occurrence

or outcome of these proceedings with certainty, we do not believe that an adverse result in any currently pending legal proceeding to which the Company is a party, individually or in the aggregate, would have a material adverse effect on the Company's business, prospects, financial condition, cash flows, or results of operations other than the following:

As previously disclosed, in June 2018, we, as claimant, filed arbitration proceedings in Malta against SINSIN Europe Solar Asset Limited Partnership and SINSIN Solar Capital Limited Partnership (hereinafter collectively, "SINSIN"), as respondents, for an alleged breach of a share sale and purchase agreement, dated September 6, 2014, entered into between the respondents, as sellers, and us, as purchaser, in relation to all of the shares in Sinsin Renewable Investment Limited, a Malta company ("SRIL"). On January 1, 2017, we had deconsolidated SRIL due to loss of control.

SINSIN filed separate arbitration proceedings in Malta against us, requesting payment of the balance of the purchase price due in terms of the share purchase agreement mentioned above (stated to be EUR38,054,000), together with interest. We contested these claims. Meanwhile, SINSIN has obtained the status of a precautionary garnishee order against us as security for its claims and has had the same order served on SRIL, with a view to freezing any payments that may be due by SRIL to us.

On October 29, 2020, awards were issued in both cases, pursuant to which the arbitration tribunal dismissed all of our claims and admitted SINSIN's counterclaim for payment of the balance of the price of €38,054,000, with interest at 6% accruing from November 30, 2015, on half of this amount, and from June 20, 2016, on the other half. SINSIN's claims for additional damages were rejected. All costs of case 5320/18 are to be borne by us, while the costs for case 5532/18 are to be borne 80% by us and 20% by SINSIN.

On November 13, 2020, we filed Appeal Applications to appeal the arbitration awards with the Malta Court of Appeal (Inferior Jurisdiction) (the "Malta Court"). On November 12, 2021, the Malta Court declared our appeals null and void and ordered us to pay costs. We then applied for new trials in each case before the Malta Court. On March 30, 2022, the Chief Justice of the Malta Court dismissed our requests in both actions. We are aware that on November 2, 2022, Sinsin filed an action to confirm these arbitral awards pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958 ("New York Convention") as implemented by the Federal Arbitration Act ("FAA") before U.S. District Court Eastern District of California. On April 27, 2023, Sinsin filed amended petition to add a request for an award of attorneys' fees incurred in connection with the petition, add detail on the allegedly owed costs and liabilities, and request that the court issue an injunction against asset dissipation pending satisfaction of the requested judgment. We has filed opposition to amended petition and motion to confirm arbitral award on May 11, 2023, and the case is currently under court review.

On February 16, 2023, we received a Redemption Notice from Streeterville to redeem \$350 of the 2022 Note with a deadline to pay the Redemption Amount by February 22, 2023. We failed to pay the Redemption Amount on time and such failure to pay is an Event of Default under the 2022 Note. Due to this Event of Default, (i) the base interest of the 2022 Note was increased to 15% per annum; (ii) the outstanding balance of the 2022 Note was increased by 15%; and (iii) the entire outstanding balance of the 2022 Note was accelerated and due on March 3, 2023. We failed to pay the outstanding balance of the 2022 Note by March 3, 2023 and as a result, Streeterville filed a complaint in the third judicial district court of Salt Lake County, requesting for actual damages in an amount not less than \$2,676, plus applicable interest, damages, charges, fees, attorney fees, and collection costs. On March 31, 2023, a hearing was held and the temporary restraining order requiring us to pay the 2022 Note in full from the proceeds of the IPO of our subsidiary, SolarJuice Co., Ltd. On June 26, 2023, Streeterville and the Group entered into a term sheet to mediate the dispute. The Group agreed to pay Streeterville \$375 in cash and \$400 in stock by July 5, 2023. After that, the Group agreed to pay Streeterville \$425 each month starting from July 31, 2023. Among the monthly installment payments, at least \$225 shall be paid in cash.

Item 1A. Risk Factor

This information has been omitted based on the Company's status as a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds from Registered Securities

None.

Item 3. Defaults upon senior securities

None.

Item 4. Mine safety disclosures

Not applicable.

Item 5. Other information

None.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104.	Cover Page Interactive Data File

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPI ENERGY CO., LTD.

By: /s/ Xiaofeng Peng
Xiaofeng Peng
Chief Executive Officer
(Principal executive officer)

By: /s/ Janet Chen
Janet Chen
Chief Financial Officer
(Principal financial and accounting officer)

Date: August 18, 2023

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Xiaofeng Peng, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SPI Energy Co., Ltd.;
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)) for the registrant 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 my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 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: August 18, 2023

/s/ Xiaofeng Peng
Xiaofeng Peng
Chief Executive Officer
(Principal executive officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Janet Chen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SPI Energy Co., Ltd.;
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)) for the registrant 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 my supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my 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 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: August 18, 2023

/s/ Janet Chen
Janet Chen
Chief Financial Officer
(Principal financial and accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of SPI Energy Co., Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2023 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) 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 operation of the Company.

Date: August 18, 2023

/s/ Xiaofeng Peng

Xiaofeng Peng
Chief Executive Officer
(Principal executive officer)

Date: August 18, 2023

/s/ Janet Chen

Janet Chen
Chief Financial Officer
(Principal financial and accounting officer)