

REFINITIV

# DELTA REPORT

## 10-Q

SPI - SPI ENERGY CO., LTD.

10-Q - MARCH 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

|              |     |
|--------------|-----|
| TOTAL DELTAS | 737 |
|--------------|-----|

|         |     |
|---------|-----|
| CHANGES | 149 |
|---------|-----|

|           |     |
|-----------|-----|
| DELETIONS | 298 |
|-----------|-----|

|           |     |
|-----------|-----|
| ADDITIONS | 290 |
|-----------|-----|

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 **September 30, 2022** **March 31, 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**

(State or Other Jurisdiction of  
Incorporation or Organization)

**20-4956638**

(I.R.S. Employer  
Identification No.)

**4803 Urbani Ave., Mc Clellan Park, CA**

(Address of Principal Executive Offices)

**95652**

(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 ☐

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 November 14, 2022 May 22, 2023, 28,841,236 30,292,960 ordinary shares, par value \$0.0001 per share, were issued and outstanding.

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## TABLE OF CONTENTS

|   | Page  |
|---|-------|
| Part I.   |       |
| <a href="#">Financial Information</a>   | 3     |
| <a href="#">Item 1. Interim Financial Statements</a>  | 3     |
| <a href="#">Condensed Consolidated Balance Sheets as of <b>September 30, 2022</b> <b>March 31, 2023</b> (Unaudited) and <b>December 31, 2021</b> <b>December 31, 2022</b></a>                     | 3     |
| <a href="#">Unaudited Condensed Consolidated Statements of Operations for the <b>Nine and Three Months Ended September 30, 2022</b> <b>March 31, 2023</b> and <b>2021</b> <b>2022</b></a>         | 4     |
| <a href="#">Unaudited Condensed Consolidated Statements of Comprehensive Loss for the <b>Nine and Three Months Ended September 30, 2022</b> <b>March 31, 2023</b> and <b>2021</b> <b>2022</b></a> | 5     |
| <a href="#">Unaudited Condensed Consolidated Statements of Equity for the <b>Nine and Three Months Ended September 30, 2022</b> <b>March 31, 2023</b> and <b>2021</b> <b>2022</b></a>             | 6     |
| <a href="#">Unaudited Condensed Consolidated Statements of Cash Flows for the <b>Nine Three months Ended September 30, 2022</b> <b>March 31, 2023</b> and <b>2021</b> <b>2022</b></a>             | 7     |
| <a href="#">Notes to Unaudited Condensed Consolidated Financial Statements</a>  | 8     |
| <a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>   | 19 20 |
| <a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>  | 28 27 |
| <a href="#">Item 4. Controls and Procedures</a>   | 28    |
| Part II.  |       |
| <a href="#">Other Information</a>   | 30    |
| <a href="#">Item 1. Legal Proceedings</a>   | 30    |
| <a href="#">Item 1A. Risk Factors</a>   | 30 31 |
| <a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>   | 30 31 |
| <a href="#">Item 3. Defaults Upon Senior Securities</a>   | 30 31 |
| <a href="#">Item 4. Mine Safety Disclosures</a>   | 30    |
| <a href="#">Item 5. Other Information</a>   | 31    |
| <a href="#">Item 5. Other Information</a>   | 31    |
| <a href="#">Item 6. Exhibits</a>  | 31    |
| <a href="#">Signatures</a>  | 32    |

PART I

Item 1. Financial Statements

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

|   | September 30,<br>2022 | December 31,<br>2021 | March 31,<br>2023 | December<br>31,<br>2022 |
|---|-----------------------|----------------------|-------------------|-------------------------|
|   | (Unaudited)           |                      | (Unaudited)       |                         |
| <b>ASSETS</b>   |                       |                      |                   |                         |
| Current assets:   |                       |                      |                   |                         |
| Cash and cash equivalents   | \$ 6,104              | \$ 9,765             | \$ 2,659          | \$ 3,533                |
| Restricted cash   | 6,693                 | 8,080                | 1,710             | 6,743                   |
| Accounts receivable, net  | 19,418                | 22,599               | 24,118            | 22,691                  |
| Contract asset  | 1,625                 | 1,621                | 953               | 1,403                   |
| Inventories   | 25,966                | 23,242               | 33,346            | 28,987                  |
| Project assets held for sale                                      | 10,423                | 8,946                | 10,796            | 10,634                  |
| Prepaid expenses and other current assets, net                    | 12,418                | 9,584                | 7,591             | 7,633                   |
| Amount due from related parties                                   | 332                   | 230                  | 332               | 332                     |
| Total current assets  | 82,979                | 84,067               | 81,505            | 81,956                  |
| Intangible assets, net  | 2,894                 | 3,433                | 2,373             | 2,587                   |
| Goodwill  | 4,896                 | 4,896                | 4,896             | 4,896                   |
| Prepayment for purchase of equipment                              | 6,706                 | 268                  |                   |                         |
| Restricted cash, noncurrent                                       |                       |                      | 646               | 711                     |
| Other receivable, noncurrent                                      |                       |                      | 234               | 234                     |
| Property and equipment, net                                       | 30,615                | 35,750               | 41,187            | 41,556                  |
| Project assets, noncurrent  | 15,188                | 15,969               | 15,169            | 14,918                  |
| Investment in affiliates  | 69,606                | 69,606               | 69,606            | 69,606                  |
| Net investment in leases  |                       |                      | 217               | –                       |
| Operating lease right-of-use assets                               | 11,277                | 13,923               | 13,574            | 14,152                  |
| Deferred tax assets, net  | 81                    | 168                  | 884               | 479                     |
| Total assets  | \$ 224,242            | \$ 228,080           | \$ 230,291        | \$ 231,095              |
| <b>LIABILITIES AND EQUITY</b>                                     |                       |                      |                   |                         |
| Current liabilities:  |                       |                      |                   |                         |
| Accounts payable  | \$ 30,657             | \$ 25,612            | \$ 37,068         | \$ 30,405               |
| Accrued liabilities   | 16,494                | 10,094               | 17,750            | 15,972                  |
| Income taxes payable  | 2,671                 | 1,684                | 3,003             | 3,511                   |
| Advance from customers  | 6,749                 | 4,924                | 7,527             | 8,634                   |
| Deferred income   |                       |                      | 493               | 503                     |
| Short-term borrowings and current portion of long-term borrowings | 7,055                 | 9,120                | 7,009             | 10,064                  |
| Amount due to an affiliate  | 10,447                | 10,603               | 10,563            | 10,548                  |
| Convertible bonds   | 45,418                | 48,603               | 44,493            | 42,676                  |
| Derivative liability  |                       |                      | 3,634             | 3,406                   |
| Accrued warranty reserve  | 481                   | 628                  | 856               | 754                     |
| Amount due to related parties                                     | 1,113                 | –                    |                   |                         |

|  |            |            |                   |                   |
|--|------------|------------|-------------------|-------------------|
| Operating lease liabilities, current   | 1,762      | 1,351      | 1,649             | 1,607             |
| Consideration payable  | 56,989     | 61,219     | 62,896            | 61,617            |
| Total current liabilities  | 179,836    | 173,838    | <b>196,941</b>    | <b>189,697</b>    |
| Long-term borrowings, excluding current portion  | 6,397      | 12,800     | 6,590             | 6,597             |
| Deferred tax liabilities, net  | 2,570      | 2,970      | 2,589             | 2,673             |
| Operating lease liabilities, non-current   | 11,250     | 12,522     | 13,670            | 14,256            |
| Total liabilities  | 200,053    | 202,130    | <b>219,790</b>    | <b>213,223</b>    |
| Equity:  |            |            |                   |                   |
| Ordinary shares, par \$0.0001, 500,000,000 shares authorized, 28,841,236 and 25,352,060 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively | 3          | 3          |                   |                   |
| Ordinary shares, par \$0.0001, 500,000,000 shares authorized, 30,292,960 and 30,292,960 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively     |            |            | 3                 | 3                 |
| Additional paid in capital   | 717,341    | 695,073    | 720,314           | 719,697           |
| Accumulated other comprehensive loss   | (39,102)   | (35,257)   | (35,408)          | (36,697)          |
| Accumulated deficit  | (659,987)  | (637,390)  | (680,219)         | (670,811)         |
| Total equity attributable to the shareholders of SPI Energy Co., Ltd.  | 18,255     | 22,429     | <b>4,690</b>      | 12,192            |
| Noncontrolling interests   | 5,934      | 3,521      | 5,811             | 5,680             |
| Total equity   | 24,189     | 25,950     | <b>10,501</b>     | <b>17,872</b>     |
| Total liabilities and equity   | \$ 224,242 | \$ 228,080 | <b>\$ 230,291</b> | <b>\$ 231,095</b> |

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

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

|  | For the Three Months Ended<br>September 30, |             | For the Nine Months Ended<br>September 30, |             | For the Three Months Ended<br>March 31, |            |
|--|---|-------------|--|-------------|---|------------|
|  | 2022  | 2021        | 2022                                       | 2021        | 2023                                    | 2022       |
| Net revenues   | \$ 43,212                                   | \$ 38,964   | \$ 130,331                                 | \$ 118,404  | \$ 47,923                               | \$ 38,535  |
| Cost of revenue  | (45,501)                                    | (40,066)    | (126,039)                                  | (112,139)   | 43,427                                  | 35,826     |
| Gross (loss) profit  | (2,289)                                     | (1,102)     | 4,292                                      | 6,265       |   |            |
| Gross profit   |   |             |  |             | 4,496                                   | 2,709      |
| Operating expenses:  |   |             |  |             |   |            |
| General and administrative                                       | 8,847                                       | 9,506       | 25,600                                     | 26,775      | 10,527                                  | 9,128      |
| Sales, marketing and customer service                            | 1,080                                       | 3,172       | 3,691                                      | 5,418       | 1,200                                   | 1,243      |
| Impairment charges on long-lived assets                          | 1,809                                       | -           | 1,809                                      | -           |   |            |
| (Reversal) provision of credit losses                            | (262)                                       | 2,184       | (471)                                      | 2,503       |   |            |
| Provision (reversal) of credit losses                            |   |             |  |             | 37                                      | (683)      |
| Total operating expenses   | 11,474                                      | 14,862      | 30,629                                     | 34,696      | 11,764                                  | 9,688      |
| Operating loss   | (13,763)                                    | (15,964)    | (26,337)                                   | (28,431)    | (7,268)                                 | (6,979)    |
| Other income (expense):  |   |             |  |             |   |            |
| Other(expense) income:   |   |             |  |             |   |            |
| Interest expense, net  | (1,282)                                     | (880)       | (4,320)                                    | (3,582)     | (1,989)                                 | (1,401)    |
| Loss on extinguishment of convertible bonds                      | (422)                                       | -           | (2,634)                                    | -           |   |            |
| Net foreign exchange gain  | 2,603                                       | 870         | 5,927                                      | 1,580       |   |            |
| Change in fair value of derivative liability                     |   |             |  |             | (228)                                   | -          |
| Net foreign exchange (loss) gain                                 |   |             |  |             | (843)                                   | 1,062      |
| Gain on sales-type leases  |   |             |  |             | 99                                      | -          |
| Others   | 71  | (9)         | 6,278                                      | 743         | 864                                     | 788        |
| Total other income (expense), net                                | 970   | (19)        | 5,251                                      | (1,259)     |   |            |
| Total other (expense) income, net                                |   |             |  |             | (2,097)                                 | 449        |
| Net loss before income taxes                                     | (12,793)                                    | (15,983)    | (21,086)                                   | (29,690)    | (9,365)                                 | (6,530)    |
| Income tax expense   | 700   | 496         | 1,411                                      | 1,356       | 384                                     | 256        |
| Net loss   | \$ (13,493)                                 | \$ (16,479) | \$ (22,497)                                | \$ (31,046) | \$ (9,749)                              | \$ (6,786) |
| Less: Net (loss) income attributable to noncontrolling interests | (54)  | 103         | 100  | 445         | (341)                                   | 59         |

|   |    |            |    |            |    |            |    |            |    |                |    |            |
|---|----|------------|----|------------|----|------------|----|------------|----|----------------|----|------------|
| Net loss attributable to<br>shareholders of SPI Energy Co.,<br>Ltd. | \$ | (13,439)   | \$ | (16,582)   | \$ | (22,597)   | \$ | (31,491)   | \$ | <b>(9,408)</b> | \$ | (6,845)    |
|   |    |            |    |            |    |            |    |            |    |                |    |            |
| Net loss per ordinary share: Basic<br>and Diluted                   | \$ | (0.48)     | \$ | (0.69)     | \$ | (0.83)     | \$ | (1.32)     | \$ | (0.31)         | \$ | (0.27)     |
|   |    |            |    |            |    |            |    |            |    |                |    |            |
| Weighted average shares<br>outstanding: Basic and Diluted           |    | 28,090,018 |    | 24,164,636 |    | 27,230,553 |    | 23,850,830 |    | 30,292,960     |    | 25,772,194 |

***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<br>September 30, |             | For the Nine Months Ended<br>September 30, |             | For the Three<br>Months Ended<br>March 31, |            |
|--|---|-------------|--|-------------|--|------------|
|  | 2022  | 2021        | 2022                                       | 2021        | 2023                                       | 2022       |
| Net loss   | \$ (13,493)                                 | \$ (16,479) | \$ (22,497)                                | \$ (31,046) | \$ (9,749)                                 | \$ (6,786) |
| Other comprehensive loss, net of tax of nil:                           |   |             |  |             |  |            |
| Foreign currency translation adjustments                               | (2,195)                                     | (1,039)     | (4,557)                                    | (1,325)     | 606  | 65         |
| Total comprehensive loss   | (15,688)                                    | (17,518)    | (27,054)                                   | (32,371)    | (9,143)                                    | (6,721)    |
| Comprehensive (loss) income attributable to noncontrolling interests   | (77)  | 90          | (612)                                      | 179         | (1,024)                                    | (604)      |
| Comprehensive loss attributable to shareholder of SPI Energy Co., Ltd. | \$ (15,611)                                 | \$ (17,608) | \$ (26,442)                                | \$ (32,550) | \$ (8,119)                                 | \$ (6,117) |

*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        |                |           |
|---|-----------------|--------|------------|--------------|---------------|---------------|----------------|-----------|
|   | Shares          | Amount | Paid-In    | Deficit      | Other         | Attributable  | Noncontrolling | Total     |
|   |                 |        | Capital    |              | Comprehensive | to            | Interests      | Equity    |
|   |                 |        |            |              | 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 |
| Net loss  | -               | -      | -          | (13,439)     | -             | (13,439)      | (54)           | (13,493)  |
| Foreign currency translation losses   | -               | -      | -          | -            | (2,172)       | (2,172)       | (23)           | (2,195)   |
| Settlement of convertible debt with ordinary shares   | 848,669         | -      | 1,572      | -            | -             | 1,572         | -              | 1,572     |
| Issuance of unrestricted shares to the managements of Phoenix                                 | -               | -      | -          | -            | -             | -             | 793            | 793       |
| Exercise of vested options by employees of Phoenix  | -               | -      | -          | -            | -             | -             | 138            | 138       |
| Stock based compensation  | -               | -      | 707        | -            | -             | 707           | -              | 707       |
| Balances at September 30, 2022  | 28,841,236      | \$ 3   | \$ 717,341 | \$ (659,987) | \$ (39,102)   | \$ 18,255     | \$ 5,934       | \$ 24,189 |

|  | Ordinary Shares |        | Additional | Accumulated  | Accumulated   | Equity        |                |           |
|--|-----------------|--------|------------|--------------|---------------|---------------|----------------|-----------|
|  | Shares          | Amount | Paid-In    | Deficit      | Other         | Attributable  | Noncontrolling | Total     |
|  |                 |        | Capital    |              | Comprehensive | to            | Interests      | Equity    |
|  |                 |        |            |              | 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 |

|   | Ordinary Shares |        | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Equity Attributable to Shareholders of SPI Energy Co., Ltd. | Noncontrolling Interests | Total Equity |
|---|-----------------|--------|----------------------------|---------------------|--------------------------------------|---|--------------------------|--------------|
|   | Shares          | Amount |                            |                     |                                      |   |                          |              |
| 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    |

  

|   | Ordinary Shares |        | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Equity Attributable to Shareholders of SPI Energy Co., Ltd. | Noncontrolling Interests | Total Equity |
|---|-----------------|--------|----------------------------|---------------------|--------------------------------------|---|--------------------------|--------------|
|   | Shares          | Amount |                            |                     |                                      |   |                          |              |
| Balances as of December 31, 2020                    | 22,340,689      | \$ 2   | \$ 670,101                 | \$ (591,899)        | \$ (32,947)                          | \$ 45,257   | \$ 3,129                 | \$ 48,386    |
| Net loss  | -               | -      | -                          | (8,339)             | -                                    | (8,339)   | 239                      | (8,100)      |
| Foreign currency translation adjustments            | -               | -      | -                          | -                   | 34                                   | 34  | (248)                    | (214)        |
| Issuance of ordinary shares in offering             | 1,365,375       | -      | 13,591                     | -                   | -                                    | 13,591  | -                        | 13,591       |
| Share-based compensation                            | -               | -      | 3,074                      | -                   | -                                    | 3,074   | -                        | 3,074        |
| Exercise of share option                            | 157,000         | -      | 600                        | -                   | -                                    | 600   | -                        | 600          |
| Balances as of March 31, 2021                       | 23,863,064      | \$ 2   | \$ 687,366                 | \$ (600,238)        | \$ (32,913)                          | \$ 54,217   | \$ 3,120                 | \$ 57,337    |
| Net loss  | -               | -      | -                          | (6,570)             | -                                    | (6,570)   | 103                      | (6,467)      |
| Foreign currency translation adjustments            | -               | -      | -                          | -                   | (67)                                 | (67)  | (5)                      | (72)         |
| Settlement of convertible debt with ordinary shares | 74,659          | -      | 350                        | -                   | -                                    | 350   | -                        | 350          |
| Share-based compensation                            | -               | -      | (837)                      | -                   | -                                    | (837)   | -                        | (837)        |
| Exercise of share option                            | 128,500         | -      | 491                        | -                   | -                                    | 491   | -                        | 491          |
| Issuance of ordinary shares for purchasing services | 5,000           | -      | 34                         | -                   | -                                    | 34  | -                        | 34           |
| Balances at June 30, 2021                           | 24,071,223      | \$ 2   | \$ 687,404                 | \$ (606,808)        | \$ (32,980)                          | \$ 47,618   | \$ 3,218                 | \$ 50,836    |
| Net loss  | -               | -      | -                          | (16,582)            | -                                    | (16,582)  | 103                      | (16,479)     |
| Foreign currency translation adjustments            | -               | -      | -                          | -                   | (1,026)                              | (1,026)   | (13)                     | (1,039)      |
| Issuance of restricted share units to employees     | 184,000         | -      | 1,167                      | -                   | -                                    | 1,167   | -                        | 1,167        |
| Settlement of convertible debt with ordinary shares | 487,504         | -      | 2,102                      | -                   | -                                    | 2,102   | -                        | 2,102        |
| Share-based compensation                            | -               | -      | 1,658                      | -                   | -                                    | 1,658   | -                        | 1,658        |
| Balances at September 30, 2021                      | 24,742,727      | \$ 2   | \$ 692,331                 | \$ (623,390)        | \$ (34,006)                          | \$ 34,937   | \$ 3,308                 | \$ 38,245    |

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 Nine Months<br>Ended September 30, |                  |
|---|--|------------------|
|   | 2022                                       | 2021             |
| <b>Cash flows from operating activities:</b>  |  |                  |
| <b>Net cash used in operating activities</b>  | \$ (12,968)                                | (22,460)         |
| <b>Cash flows from investing activities:</b>  |  |                  |
| Purchase of property and equipment  | (6,539)                                    | (1,152)          |
| Acquisitions of PDI   | –  | (8,003)          |
| Proceeds from disposal of property and equipment  | 1,924                                      | 102              |
| <b>Net cash used in investing activities</b>  | (4,615)                                    | (9,053)          |
| <b>Cash flows from financing activities:</b>  |  |                  |
| Proceeds from issuance of ordinary shares   | –  | 13,591           |
| Repayment of borrowings   | (114,605)                                  | (128,966)        |
| Proceeds from borrowings  | 112,532                                    | 131,207          |
| Proceeds from issuance of convertible bond  | 2,000                                      | 12,000           |
| Repayment of convertible bonds  | –  | (13,820)         |
| Proceeds from exercise of employee stock options  | 138  | –                |
| Proceeds from exercise of options issued to Lighting Charm Limited during disposition of SPI China      | –  | 1,091            |
| Proceeds from IPO of a subsidiary   | 13,438                                     | –                |
| <b>Net cash provided by financing activities</b>  | 13,503                                     | 15,103           |
| Effect of exchange rate changes on cash   | (968)                                      | (1,155)          |
| Decrease in cash, cash equivalents and restricted cash  | (5,048)                                    | (17,565)         |
| Cash, cash equivalents and restricted cash at beginning of period                                       | 17,845                                     | 39,782           |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                                      | <u>\$ 12,797</u>                           | <u>\$ 22,217</u> |
| <b>Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets</b> |  |                  |
| Cash and cash equivalents   | \$ 6,104                                   | \$ 19,818        |
| Restricted cash   | 6,693                                      | 2,399            |
| <b>Total cash, cash equivalents, and restricted cash</b>  | <u>\$ 12,797</u>                           | <u>\$ 22,217</u> |
| <b>Supplemental cash flow information:</b>  |  |                  |
| Interest paid   | \$ 1,896                                   | \$ 905           |
| Income tax paid   | \$ 7                                       | \$ 58            |
| <b>Non-cash activities:</b>   |  |                  |
| Right of use assets obtained in exchange for operating lease obligations                                | \$ 428                                     | \$ 2,628         |
| Reclassification from project asset or inventory to property and equipment                              | 765  | –                |
| Settlement of convertible debt with ordinary shares   | \$ 8,659                                   | \$ 2,452         |
|   |  |                  |
|   | For the Three Months<br>Ended March 31,    |                  |
|   | 2023                                       | 2022             |
| <b>Cash flows from operating activities:</b>  |  |                  |
| <b>Net cash used in operating activities</b>  | \$ (4,873)                                 | \$ (8,583)       |

|   |                 |    |                  |
|---|-----------------|----|------------------|
| <b>Cash flows from investing activities:</b>  |                 |    |                  |
| Purchase of property and equipment  | (354)           |    | (222)            |
| Proceeds from disposal of property and equipment  | –               |    | 1,318            |
| <b>Net cash (used in) provided by investing activities</b>  | <u>(354)</u>    |    | <u>1,096</u>     |
| <b>Cash flows from financing activities:</b>  |                 |    |                  |
| Repayment of borrowings   | (5,000)         |    | (33,820)         |
| Proceeds from borrowings  | 1,832           |    | 35,949           |
| Proceeds received from standby equity purchase agreement of Phoenix                                     | 1,155           |    | –                |
| <b>Net cash (used in) provided by financing activities</b>  | <u>(2,013)</u>  |    | <u>2,129</u>     |
| Effect of exchange rate changes on cash   | <u>1,268</u>    |    | <u>370</u>       |
| Decrease in cash, cash equivalents and restricted cash  | (5,972)         |    | (4,988)          |
| Cash, cash equivalents and restricted cash at beginning of period                                       | 10,987          |    | 17,845           |
| <b>Cash, cash equivalents and restricted cash at end of period</b>                                      | <u>\$ 5,015</u> |    | <u>\$ 12,857</u> |
| <b>Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets</b> |                 |    |                  |
| Cash and cash equivalents   | 2,659           |    | 3,766            |
| Restricted cash   | <u>2,356</u>    |    | <u>9,091</u>     |
| <b>Total cash, cash equivalents, and restricted cash</b>  | <u>\$ 5,015</u> |    | <u>\$ 12,857</u> |
| <b>Supplemental cash flow information:</b>  |                 |    |                  |
| Interest paid   | \$ 6,687        | \$ | 644              |
| Income tax paid   | 1,347           |    | –                |
| <b>Non-cash activities:</b>   |                 |    |                  |
| Right of use assets obtained in exchange for operating lease obligations                                | \$ –            | \$ | 3,068            |
| Inventories transferred to PPE  | 163             |    | –                |
| Settlement of convertible debt with ordinary shares   | \$ –            | \$ | 1,750            |

*The accompany 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 **September 30, 2022** **March 31, 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  |
| Heliostixio S.A.  | Heliostixio  | 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 **on 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** (see Note 8(b)). **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 furtherly 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 the hearing is set for June 1, 2023. (Note 8(b)). As of March 31, 2023 and December 31, 2022, investment in Sinsin was \$69,606, and there was no impairment for the three months ended March 31, 2023 and 2022. Consideration payable, including accrued interest and litigation fees payable, was \$62,896 and \$61,617 as of March 31, 2023 and December 31, 2022, respectively. The interest expense accrued on the unpaid consideration was \$612 and \$641 for the three months ended March 31, 2023 and 2022, respectively.

On June 10, 2022, Phoenix completed its initial public offering ("IPO") and Phoenix's shares have been listed on NASDAQ under the stock code "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 \$22,497,974 during the nine months ended September 30, 2022 and March 31, 2023, and the cash flow used in operating activities was \$12,968,487. As of September 30, 2022 and March 31, 2023, there is net working capital deficit of \$96,857,115 and accumulated deficit of \$659,987,680. 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. While there is no assurance that the Group believes that it will be successful in meeting its liquidity and cash flow requirements, there is no assurance to that effect. 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, 2021 and 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, 2021 and 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 made for credit losses, inventory write-downs, the estimated useful lives of long-lived assets, doubtful accounts receivable and other receivable, the impairment of goodwill and long-lived assets, and project assets, valuation allowance of deferred tax assets, accrued warranty expenses, the grant-date fair value of share-based compensation awards, derivative liability and related forfeiture rates, the lease discount rate, the purchase price allocation in acquisition, and fair value of financial instruments. 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 follows:

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 three months ended March 31, 2023 and 2022.



The Group generates revenue from sales of PV components, roofing and solar energy systems installation, electricity revenue with Power Purchase Agreements ("PPAs"), sales and leasing of EV, and others for the nine months ended September 30, 2022 and 2021.

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 customize 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 selection. specifications.

All 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 consists constitutes of material cost and labor cost, and is 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 consisted consists of revenue generated from sales of self-assembled solar panels, 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 nine months ended **September 30, 2022** **March 31, 2023** and **2021**; **2022**:

| For the nine months ended September 30, 2022 (Unaudited)  |                        |   |                               |                            |          |            |
|---|------------------------|---|-------------------------------|----------------------------|----------|------------|
| By revenue stream   | Sales of PV components | Revenue from roofing and solar systems installation | Electricity revenue with PPAs | Automotive sales & leasing | Others   | Total      |
| Australia   | \$ 94,953              | \$ -  | \$ -                          | \$ -                       | \$ 660   | \$ 95,613  |
| Italy   | -                      | -   | 776                           | -                          | -        | 776        |
| United States   | 1,608                  | 23,735  | -                             | 2,572                      | 2,330    | 30,245     |
| United Kingdom  | -                      | -   | 1,561                         | -                          | -        | 1,561      |
| Greece  | -                      | -   | 2,136                         | -                          | -        | 2,136      |
| Total   | \$ 96,561              | \$ 23,735   | \$ 4,473                      | \$ 2,572                   | \$ 2,990 | \$ 130,331 |
| For the three months ended September 30, 2022 (Unaudited) |                        |   |                               |                            |          |            |
| By revenue stream   | Sales of PV components | Revenue from roofing and solar systems installation | Electricity revenue with PPAs | Automotive sales & leasing | Others   | Total      |
| Australia   | \$ 35,399              | \$ -  | \$ -                          | \$ -                       | \$ 218   | \$ 35,617  |
| Italy   | -                      | -   | 308                           | -                          | -        | 308        |
| United States   | 305                    | 3,582   | -                             | 411                        | 1,575    | 5,873      |
| United Kingdom  | -                      | -   | 629                           | -                          | -        | 629        |
| Greece  | -                      | -   | 785                           | -                          | -        | 785        |
| Total   | \$ 35,704              | \$ 3,582  | \$ 1,722                      | \$ 411                     | \$ 1,793 | \$ 43,212  |

| For the three months ended March 31, 2023 (Unaudited) |                        |   |   |                               |                            |           |           |
|---|------------------------|---|---|-------------------------------|----------------------------|-----------|-----------|
| By revenue stream                                     | 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   | \$ 34,997              | \$ -  | \$ -  | \$ -                          | \$ -                       | \$ 284    | \$ 35,281 |
| United States   | -                      | 9,020   | 879   | 40                            | 1,241                      | 560       | 11,740    |
| Japan   | -                      | -   | -   | -                             | -                          | 18        | 18        |
| Italy   | -                      | -   | -   | 157                           | -                          | -         | 157       |
| United Kingdom  | -                      | -   | -   | 244                           | -                          | -         | 244       |
| Greece  | -                      | -   | -   | 483                           | -                          | -         | 483       |
| Total   | \$ 34,997              | \$ 9,020  | \$ 879  | \$ 924                        | \$ 1,241                   | \$ 862    | \$ 47,923 |
| For the three months ended March 31, 2022 (Unaudited) |                        |   |   |                               |                            |           |           |
| By revenue stream                                     | Sales of PV components | Revenue from roofing and solar systems installation | Electricity revenue with PPAs                       | Automotive sales & leasing    | Others                     | Total     |           |
| Australia   | \$ 28,024              | \$ -  | \$ -  | \$ -                          | \$ 142                     | \$ 28,166 |           |
| Italy   | -                      | -   | 256   | -                             | -                          | 256       |           |
| United States   | -                      | 8,789   | -   | 525                           | 141                        | 9,455     |           |
| United Kingdom  | -                      | -   | 151   | -                             | -                          | 151       |           |
| Greece  | -                      | -   | 507   | -                             | -                          | 507       |           |
| Total   | \$ 28,024              | \$ 8,789  | \$ 914  | \$ 525                        | \$ 283                     | \$ 38,531 |           |

| For the three months ended March 31, 2023 (Unaudited) |  |
|---|--|
| By timing of revenue recognition                      |  |

|  | 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   | \$ 34,997              | \$ 9,020                              | \$ –  | \$ 924                        | \$ 1,151                   | \$ 862 | \$46,95 |
| Service transferred over time          | –                      | –                                     | 879   | –                             | –                          | –      | 87      |
| On a straight-line basis under ASC 842 | –                      | –                                     | –   | –                             | 90                         | –      | 9       |
| Total                                  | \$ 34,997              | \$ 9,020                              | \$ 879  | \$ 924                        | \$ 1,241                   | \$ 862 | \$47,92 |

| <b>By revenue stream</b> | <b>For the nine months ended September 30, 2021 (Unaudited)</b> |  |                                      |                                       |                 |                   |
|--------------------------|---|--|--------------------------------------|---------------------------------------|-----------------|-------------------|
|                          | <b>Sales of PV components</b>                                   | <b>Revenue from roofing and solar systems installation</b> | <b>Electricity revenue with PPAs</b> | <b>Automotive sales &amp; leasing</b> | <b>Others</b>   | <b>Total</b>      |
| Australia                | \$ 88,168   | \$ -   | \$ -                                 | \$ -                                  | \$ 835          | \$ 89,003         |
| Italy                    | -   | -  | 498                                  | -                                     | -               | 498               |
| United States            | -   | 23,603   | -                                    | 1,680                                 | 267             | 25,550            |
| United Kingdom           | -   | -  | 1,036                                | -                                     | -               | 1,036             |
| Greece                   | -   | -  | 2,317                                | -                                     | -               | 2,317             |
| <b>Total</b>             | <b>\$ 88,168</b>  | <b>\$ 23,603</b>   | <b>\$ 3,851</b>                      | <b>\$ 1,680</b>                       | <b>\$ 1,102</b> | <b>\$ 118,404</b> |

| <b>By revenue stream</b> | <b>For the three months ended September 30, 2021 (Unaudited)</b> |  |                                      |                                       |               |                  |
|--------------------------|--|--|--------------------------------------|---------------------------------------|---------------|------------------|
|                          | <b>Sales of PV components</b>                                    | <b>Revenue from roofing and solar systems installation</b> | <b>Electricity revenue with PPAs</b> | <b>Automotive sales &amp; leasing</b> | <b>Others</b> | <b>Total</b>     |
| Australia                | \$ 27,365  | \$ -   | \$ -                                 | \$ -                                  | \$ 203        | \$ 27,568        |
| Italy                    | -  | -  | 177                                  | -                                     | -             | 177              |
| United States            | -  | 9,240  | -                                    | 554                                   | 122           | 9,916            |
| United Kingdom           | -  | -  | 365                                  | -                                     | -             | 365              |
| Greece                   | -  | -  | 938                                  | -                                     | -             | 938              |
| <b>Total</b>             | <b>\$ 27,365</b>   | <b>\$ 9,240</b>  | <b>\$ 1,480</b>                      | <b>\$ 554</b>                         | <b>\$ 325</b> | <b>\$ 38,964</b> |

| <b>By timing of revenue recognition</b> | <b>For the three months ended March 31, 2022 (Unaudited)</b> |  |                                      |                                       |               |                  |
|---|--|--|--------------------------------------|---------------------------------------|---------------|------------------|
|   | <b>Sales of PV components</b>                                | <b>Revenue from roofing and solar systems installation</b> | <b>Electricity revenue with PPAs</b> | <b>Automotive sales &amp; leasing</b> | <b>Others</b> | <b>Total</b>     |
| Goods transferred at a point in time    | \$ 28,024  | \$ -   | \$ 914                               | \$ 388                                | \$ 283        | \$ 29,609        |
| Service transferred over time           | -  | 8,789  | -                                    | 137                                   | -             | 8,926            |
| On a straight-line basis under ASC 842  | -  | -  | -                                    | -                                     | -             | -                |
| <b>Total</b>                            | <b>\$ 28,024</b>   | <b>\$ 8,789</b>  | <b>\$ 914</b>                        | <b>\$ 525</b>                         | <b>\$ 283</b> | <b>\$ 38,532</b> |

#### Contract balance

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

|                        | September 30,<br>2022<br>(Unaudited) | December 31,<br>2021 |
|------------------------|--------------------------------------|----------------------|
| Contract assets        | \$ 1,625                             | \$ 1,621             |
| Advance from customers | \$ 6,749                             | \$ 4,924             |
|                        | March 31,<br>2023<br>(Unaudited)     | December 31,<br>2022 |
| Accounts Receivable    | \$ 24,118                            | \$ 22,691            |
| Contract assets        | 953                                  | 1,403                |
| Advance from customers | 7,527                                | 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 representing a contract liability, represents mostly unrecognized revenue amount received from customers. Advance from customers is recognized as (or when) the Group performs under the contract. During the nine months ended September 30, 2022, March 31, 2023 and 2021, 2022, the Group recognized \$4,924,863 and \$1,377,492 as revenue that was included in the balance of advance from customers at January 1, 2022, December 31, 2022 and 2021, respectively.

#### **(d) Leases**

##### *Lessor Accounting*

During the three months ended March 31, 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 March 31, 2023. During the three months ended March 31, 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 March 31, 2023:

| In Thousands                           | Sales-type<br>(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.



#### (d) Recent Accounting Pronouncements

##### Accounting Pronouncements Issued But Not Yet Adopted

In August March 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This guidance eliminates the beneficial conversion feature and cash conversion models in Accounting Standards Codification (ASC or Codification) 470-20 that require separate accounting for embedded conversion features in convertible instruments. This guidance also eliminates some 2020-04, Reference Rate Reform (Topic 848): Facilitation of the conditions Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"), which provides elective amendments for entities that must have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be met for equity classification under ASC 815-40-25, 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 new guidance also requires entities to use the if-converted method to calculate earnings per share (EPS) for all convertible instruments amendments in this ASU are effective in the diluted EPS calculation and include same timeframe as ASU 2020-04. In December 2022, the effect FASB issued ASU 2022-06, Reference Rate reform (Topic 848): Deferral of potential share settlement (if the effect is more dilutive) for instruments that may be settled in cash or shares, except for liability-classified share-based payment awards. ASU No. 2020-06 is effective for annual periods beginning after December 15, 2021 and interim periods therein. Sunset Date of Topic 848, which deferred the sunset date of Topic 848, Reference Rate Reform to December 31, 2024. The Group adopted ASU No. 2020-06 is currently evaluating the impact this guidance will have on January 1, 2022. The adoption did not have a material impact on the Group's its consolidated financial statements.

##### Other significant

The Group does not believe other recently issued but not yet effective accounting policies are detailed in "Note 3 - Summary standards, if currently adopted, would have a material effect on the unaudited condensed consolidated balance sheets, statements of Significant Accounting Policies" of the Company's consolidated financial statements for the year ended December 31, 2021. operations and cash flows.

#### 4. Accounts Receivable, Net

The accounts receivable, net as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 consisted of the following:

|                                   | September 30,<br>2022<br>(Unaudited) | December 31,<br>2021 |
|-----------------------------------|--------------------------------------|----------------------|
| Accounts receivable               | \$ 21,739                            | \$ 25,419            |
| Less: Allowance for credit losses | (2,321)                              | (2,829)              |
| Accounts receivable, net          | \$ 19,418                            | \$ 22,590            |

  

|                                   | March 31,<br>2023<br>(Unaudited) | December<br>31,<br>2022 |
|-----------------------------------|----------------------------------|-------------------------|
| Accounts receivable               | 25,905                           | 24,441                  |
| Less: Allowance for credit losses | (1,787)                          | (1,750)                 |
| Accounts receivable, net          | 24,118                           | 22,691                  |

For the three months and nine months ended September 30, 2022, the Group reversed credit losses of \$262 and \$471, respectively. For the three months and nine months ended September 30, 2021 March 31, 2023, the Group recorded additional credit losses with amount of \$2,184 37 and . For the three months ended March 31, 2022, the Group reversed bad debt provision of \$2,503 683, respectively. .

#### 5. Inventories

Inventories as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 consisted of the following:

|                | September 30,<br>2022<br>(Unaudited) | December 31,<br>2021 |
|----------------|--------------------------------------|----------------------|
| Finished goods | \$ 17,273                            | \$ 17,108            |

|                   |                  |                  |
|-------------------|------------------|------------------|
| Goods in transit  | 2,392            | 2,846            |
| Work in process   | 1,423            | 587              |
| Raw materials     | 4,878            | 2,706            |
| Total inventories | <u>\$ 25,966</u> | <u>\$ 23,247</u> |

|                   | March 31,<br>2023<br>(Unaudited) | December<br>31,<br>2022 |
|-------------------|----------------------------------|-------------------------|
| Finished goods    | 24,016                           | 22,074                  |
| Goods in transit  | 1,961                            | 737                     |
| Work in process   | 935                              | 1,529                   |
| Raw materials     | 6,434                            | 4,647                   |
| Total inventories | <u>33,346</u>                    | <u>28,987</u>           |

For the three months ended March 31, 2023 and nine months ended September 30, 2022, 2022, the Group recorded \$948 and nil write-downs for inventories. For inventories, respectively, to reflect the three months and nine months ended September 30, 2021, the Group recorded nil and \$131 write-down for inventories, respectively, 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 nine months ended |                       |
|---|----------------------------|-----------------------|---------------------------|-----------------------|
|   | September 30,<br>2022      | September 30,<br>2021 | September 30,<br>2022     | September 30,<br>2021 |
| Employee stock options                          | \$ 707                     | \$ 1,658              | \$ 1,642                  | \$ 3,895              |
| Issuance of restricted share units to employees | –                          | 1,167                 | 623                       | 1,167                 |
| Total share-based compensation expense          | \$ 707                     | \$ 2,825              | \$ 2,265                  | \$ 5,062              |

  

|  | For the Three Months ended |                   |
|--|----------------------------|-------------------|
|  | March 31,<br>2023          | March 31,<br>2022 |
| Employee stock options                 | \$ 617                     | \$ 59             |
| Restricted share grants                | –                          | 62                |
| Total share-based compensation expense | \$ 617                     | \$ 1,21           |

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

|   | For the three months ended |                       | For the nine months ended |                       |
|---|----------------------------|-----------------------|---------------------------|-----------------------|
|   | September 30,<br>2022      | September 30,<br>2021 | September 30,<br>2022     | September 30,<br>2021 |
| General and administrative                                      | \$ 698                     | \$ 2,830              | \$ 2,252                  | \$ 5,062              |
| Sales, marketing and customer service                           | 9                          | (5)                   | 13                        | –                     |
| Total share-based compensation expense, net of nil income taxes | \$ 707                     | \$ 2,825              | \$ 2,265                  | \$ 5,062              |

### Unrestricted stock units and stock options granted by a subsidiary

During the three months ended September 30, 2022, the Board of Directors of Phoenix Motor Inc. ("Phoenix"), a subsidiary of the Group, approved the grants of unrestricted stock units to core management members and other management, pursuant to the terms of the 2021 Plan. The total number of unrestricted stock units granted was 505,000 shares of Phoenix's ordinary shares. The vesting schedules are 100% vested at the grant date for all the grants. The Group used the market price of Phoenix's shares at grant date as the fair value of the unrestricted stock units in calculating the share based compensation expense. During the three months ended September 30, 2022, the stock-based compensation expense for grants of stock units was \$793.

|   | For the Three Months ended |                   |
|---|----------------------------|-------------------|
|   | March 31,<br>2023          | March 31,<br>2022 |
| General and administrative                                      | \$ 612                     | \$ 1,21           |
| Sales, marketing and customer service                           | 5                          | –                 |
| Total share-based compensation expense, net of nil income taxes | \$ 617                     | \$ 1,21           |

## 7. Net Loss Per Share

As a result of the net loss for the three months ended March 31, 2023 and nine Months ended September 30, 2022 and 2021, 2022, there is no dilutive impact to the net loss per share calculation for the period.

For the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021, 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 |                       | For the nine months ended |                       |
|---|----------------------------|-----------------------|---------------------------|-----------------------|
|   | September 30,<br>2022      | September 30,<br>2021 | September 30,<br>2022     | September 30,<br>2021 |
| Share options and non-vested restricted stock | 10,000                     | 30,800                | 10,000                    | 30,800                |

|                   |                |                |                |                |
|-------------------|----------------|----------------|----------------|----------------|
| Convertible bonds | 524,500        | 702,000        | 524,500        | 702,000        |
| Committed shares  | -              | 114,770        | -              | 114,770        |
| Total             | <u>534,500</u> | <u>847,570</u> | <u>534,500</u> | <u>847,570</u> |

|   | For the Three Months ended |                   |
|---|----------------------------|-------------------|
|   | March 31,<br>2023          | March 31,<br>2022 |
| Share options and non-vested restricted stock | \$ 5,000                   | \$ 17,50          |
| Convertible bonds                             | 546,355                    | 614,50            |
| Total   | <u>\$ 551,355</u>          | <u>\$ 632,00</u>  |

## 8. Commitments and Contingencies

### (a) Commitments

As of September 30, 2022 March 31, 2023, the Group had capital other commitments of approximately \$8,142 1,596. These capital commitments were solely related to contracts signed with vendors automation production line, equipment or PV related products used for the construction of solar PV systems being developed research and development by the Group. Group and are expected to be paid in one year.

The capital commitments as at balance sheet dates disclosed above do not include those incomplete acquisitions for investment and business as at balance sheet dates as the agreements could either be terminated unconditionally without any penalty or cancelable when the closing conditions as specified in the agreements could not be met.

## (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 furtherly filed an application of retrial and suspension of the enforcement of the awards. The application of retrial was rejected by the court on March 30, 2022. 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. As 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 date of this report, requested judgment. The Group has filed opposition to amended petition and motion to confirm arbitral award on May 11, 2023, and the hearing is set for June 1, 2023.

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 served with the action, 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 is negotiating with Sinsin to pay the 2022 Note in order to achieve a settlement to suspend and dismiss full from the enforcement proceeds of these arbitration awards, the IPO of its subsidiary, SolarJuice Co., Ltd.

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 ended March 31, 2023 and nine months ended September 30, 2022 and 2021.

As of September 30, 2022 March 31, 2023, there was one customer of which the accounts receivable accounted for 13 18% of total accounts receivable. As of December 31, 2021 December 31, 2022, there was one customer of which the accounts receivable accounted for 21 18% of total accounts receivable.

(b) Suppliers

As of September 30, 2022 March 31, 2023, there was were two suppliers of which the accounts payable accounted for 18% and 12 10% of total accounts payable, respectively. As of December 31, 2021 December 31, 2022, there was no supplier were two suppliers of which the accounts payable accounted for 10 14% or more and 11% of total accounts payable. payable, respectively.

## 10. Related Party Transactions

The amount due from related parties were \$332 and \$230 as of September 30, 2022, December 31, 2022 and December 31, 2021, respectively, represented the advance payment to management and another related party for business operation.

The amount due to related parties were \$1,113 and nil as of September 30, 2022 and December 31, 2021, respectively, represented the short term loan from the Chairman of the Board of Directors for the Company with no interest and due on demand.

## 11. Segment information

For the three months ended March 31, 2023 and nine months ended September 30, 2022 and 2021, 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 ended March 31, 2023 and nine months ended September 30, 2022 and 2021, 2022 is as follows:

|                                  | For the three months ended September 30, 2022 (Unaudited) |  |                   |        |         |
|----------------------------------|---|--|-------------------|--------|---------|
|                                  | Renewable energy solutions                                | PV stations constructions and operations | Electric vehicles | Others | Total   |
|                                  | USD   | USD                                      | USD               | USD    | USD     |
| Revenues from external customers | 38,843  | 1,085                                    | 411               | 2,873  | 43,212  |
| Cost of revenue                  | 41,811  | 646                                      | 288               | 2,756  | 45,501  |
| Gross profit (loss)              | (2,968)   | 439                                      | 123               | 117    | (2,289) |

|                                  | For the three months ended September 30, 2021 (Unaudited) |  |                   |         |         | For the three months ended March 31, 2023 (Unaudited) |  |                   |        |        |
|----------------------------------|---|--|-------------------|---------|---------|---|--|-------------------|--------|--------|
|                                  | Renewable energy solutions                                | PV stations constructions and operations | Electric vehicles | Others  | Total   | Renewable energy solutions                            | PV stations constructions and operations | Electric vehicles | Others | Total  |
|                                  | USD   | USD                                      | USD               | USD     | USD     | USD   | USD                                      | USD               | USD    | USD    |
| Revenues from external customers | 36,606  | 1,408                                    | 554               | 396     | 38,964  | 45,179  | 943                                      | 1,781             | 20     | 47,923 |
| Cost of revenue                  | 37,647  | 566                                      | 183               | 1,670   | 40,066  | 41,184  | 627                                      | 1,608             | 8      | 43,427 |
| Gross profit (loss)              | (1,041)   | 842                                      | 371               | (1,274) | (1,102) | 3,995   | 316                                      | 173               | 12     | 4,496  |

|                                  | For the three months ended March 31, 2022 (Unaudited) |  |                   |        |        |
|----------------------------------|---|--|-------------------|--------|--------|
|                                  | Renewable energy solutions                            | PV stations constructions and operations | Electric vehicles | Others | Total  |
|                                  | USD   | USD                                      | USD               | USD    | USD    |
| Revenues from external customers | 36,955  | 909                                      | 671               | -      | 38,535 |
| Cost of revenue                  | 34,488  | 427                                      | 551               | 360    | 35,826 |
| Gross profit (loss)              | 2,467   | 482                                      | 120               | (360)  | 2,709  |

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



|                            | As of<br>March 31, 2023<br>(Unaudited) | As of<br>December 31,<br>2022 |
|----------------------------|--|-------------------------------|
|                            | USD                                    | USD                           |
| Segment assets             |  |                               |
| Renewable energy solutions | 77,099                                 | 71,260                        |
| Solar projects development | 125,821                                | 133,663                       |
| Electric vehicles          | 18,818                                 | 20,275                        |
| Others                     | 8,553                                  | 5,897                         |
| Total segment assets       | <u>230,291</u>                         | <u>231,095</u>                |

|                                  | For the nine months ended September 30, 2022 (Unaudited) |  |                   |         |         |
|----------------------------------|--|--|-------------------|---------|---------|
|                                  | Renewable energy solutions                               | PV stations constructions and operations | Electric vehicles | Others  | Total   |
|                                  | USD  | USD                                      | USD               | USD     | USD     |
|                                  |  |  |                   |         |         |
| Revenues from external customers | 120,296  | 4,473                                    | 2,572             | 2,990   | 130,331 |
| Cost of revenue                  | 119,436  | 1,646                                    | 2,013             | 2,944   | 126,039 |
| Gross profit (loss)              | 860  | 2,827                                    | 559               | 46      | 4,292   |
|                                  | For the nine months ended September 30, 2021 (Unaudited) |  |                   |         |         |
|                                  | Renewable energy solutions                               | PV stations constructions and operations | Electric vehicles | Others  | Total   |
|                                  | USD  | USD                                      | USD               | USD     | USD     |
|                                  |  |  |                   |         |         |
| Revenues from external customers | 111,771  | 3,851                                    | 1,680             | 1,102   | 118,404 |
| Cost of revenue                  | 106,215  | 1,680                                    | 1,836             | 2,408   | 112,139 |
| Gross profit (loss)              | 5,556  | 2,171                                    | (156)             | (1,306) | 6,265   |

Summarized information by segments as of September 30, 2022 and December 31, 2021 is as follows:

|                            | As of<br>September 30, 2022<br>(Unaudited) | As of<br>December 31, 2021 |
|----------------------------|--|----------------------------|
|                            | USD  | USD                        |
| Segment assets             |  |                            |
| Renewable energy solutions | 59,829                                     | 52,946                     |
| Solar projects development | 132,136                                    | 144,852                    |
| Electric vehicles          | 22,560                                     | 17,738                     |
| Others                     | 9,717                                      | 12,544                     |
| Total segment assets       | 224,242                                    | 228,080                    |

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

|                         | As of<br>September 30, 2022<br>Unaudited | As of<br>December 31, 2021 |
|-------------------------|--|----------------------------|
|                         | USD                                      | USD                        |
| Australia               | 1,098                                    | 577                        |
| United States           | 40,079                                   | 37,021                     |
| Japan                   | 868                                      | 1,414                      |
| Italy                   | 1,465                                    | 1,749                      |
| United Kingdom          | 7,395                                    | 9,477                      |
| Greece                  | 12,881                                   | 15,404                     |
| Total long-lived assets | 63,786                                   | 65,642                     |

|                | As of<br>March 31, 2023<br>Unaudited | As of<br>December 31,<br>2022 |
|----------------|--------------------------------------|-------------------------------|
|                | USD                                  | USD                           |
| Australia      | 370                                  | 398                           |
| United States  | 45,467                               | 46,307                        |
| Japan          | 580                                  | 586                           |
| Italy          | 1,489                                | 1,508                         |
| United Kingdom | 8,111                                | 7,945                         |

|                         |        |        |
|-------------------------|--------|--------|
| Greece                  | 13,913 | 13,882 |
| Total long-lived assets | 69,930 | 70,626 |

## 12. Subsequent Events

*Extension Additional financing from the existing standby equity purchase agreement of Convertible Promissory NotePhoenix*

On October 28, 2022, April 24, 2023, the Group entered obtained additional financing through the existing standby equity purchase agreement of Phoenix in a series of supplementary agreements with Streeterville Capital, LLC (the "Lender"), where by, the Convertible Promissory Note issued on June 9, 2021 in the principal total amount of \$4,210 was extended from June 9, 2022 \$72 with 110,000 Phoenix's shares of common stock sold to June 9, 2023, the Convertible Promissory Note issued on September 30, 2021 in the principal amount of \$4,210 was extended from September 30, 2022 to September 30, 2023, the Convertible Promissory Note issued on November 12, 2021 in the principal amount of \$4,210 was extended from November 12, 2022 to November 12, 2023. Investor.

The Group has evaluated subsequent events through the date of issuance of the unaudited condensed consolidated financial statements, there were no other subsequent events occurred that would require recognition or disclosure in the consolidated financial statements except for the above extension of convertible promissory note and the litigation with Sinsin Group as disclosed in note 8(b) to the condensed 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 contains 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, 2021. 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 \$22.5 million \$9.7 million during the nine three months ended September 30, 2022 March 31, 2023, and the cash flow used in operating activities was \$13.0 million \$4.9 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 2021 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.

### COVID-19

The pandemic of a novel coronavirus (COVID-19) has resulted in a widespread health crisis that has adversely affected the economies and financial markets worldwide. Due to the worldwide growing trend in availability and administration of vaccines against Covid-19, many restrictions resulted from the pandemic were gradually lifted by governments across the globe. However, the future impact of the Covid-19 pandemic remains highly uncertain. Our first priority continues to be to protect and support our employees while maintaining company operations and support of our customers with as few disruptions as possible. We have reduced the risk of exposure to infection, including reduced travel, cancellation of meetings and events, and implementation of work-at-home policies.

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, sales and leasing of EVs, sales of forklift and sales of solar modules, respectively. As the COVID-19 spread continues, the measures implemented to curb the spread of the virus have resulted in supply chain disruptions, insufficient work force and suspended manufacturing and construction works for solar industry. One or more of our customers, partners, service providers or suppliers may experience financial distress, delayed or defaults on payment, file for bankruptcy protection, sharp diminishing of business, or suffer disruptions in their business due to the outbreak. These preventative measures have also impacted our daily operations. The efforts enacted to control COVID-19 have placed heavy pressure on our marketing and sales activities. We continue to assess the related risks and impacts COVID-19 pandemic may have on our business and our financial performance. In light of the rapidly changing situation across different countries and regions, it remains difficult to estimate the duration and magnitude of COVID-19 impact. Until such time as the COVID-19 pandemic is contained or eradicated and global business return to more customary levels, our business and financial results may be materially adversely affected.

### 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. While the market has been too slow to expand over the last many years, 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 while we expect new growth from markets to emerge such . We anticipate capturing scale economies as Florida, Texas and US Northeast. As the overall solar power market grows, we 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, in California, requiring all transit buses to be zero emissions by 2040, requiring all airport shuttles to be electric by 2035, requiring at least 50% of all medium-duty trucks sold in the state to be electric by 2030, and requiring specific end-user segments like drayage and yard trucks to go electric. 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 be 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 vehicles. 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 Truck Trucks Regulation.

Various 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, by providing a host of funding and incentive support to develop, demonstrate and deploy zero emission transportation solutions. This is primarily driven by the urgent need to meet carbon and greenhouse gas emission reduction targets. Some of the key funding / incentives driving adoption of electric medium duty vehicles include: the California HVIP program offering 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 \$66,000 per Class 4 electric vehicle, funding from federal agencies like the FTA,

- 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.

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## 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.

### Outbreak of war in Ukraine

On February 24, 2022, the Russian Federation launched an invasion of Ukraine that has had an immediate impact on the global economy resulting in higher energy prices and higher prices for certain raw materials and goods and services which in turn is contributing to higher inflation in the United States and other countries across the globe with significant disruption to financial markets. We do not have any operation or business in Russia or Ukraine, however, we may be potentially indirectly adversely impacted any significant disruption it has caused and may continue to escalate. In addition, the United States and other countries have imposed sanctions on Russia which increases the risk that Russia may resort to retaliatory actions, including the launching of cyberattacks. It is possible that these attacks could have collateral effects on additional critical infrastructure and financial institutions globally, which could adversely affect our operations. It is difficult to assess the likelihood of such threat and any potential impact at this time. Any one or more of these events may impede our operation and delivery efforts and adversely affect our sales results, or even for a prolonged period of time, which could materially and adversely affect our business, financial condition, and results of operations.

Results of Operations for the Three Months Ended September 30, 2022 March 31, 2023 and 2021 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.

|   | For the Three Months Ended September 30, |        |                     |        | For the Three Months Ended March 31, |        |                     |        |
|---|--|--------|---------------------|--------|--------------------------------------|--------|---------------------|--------|
|   | 2022<br>(Unaudited)                      |        | 2021<br>(Unaudited) |        | 2023<br>(Unaudited)                  |        | 2022<br>(Unaudited) |        |
| <b>In thousand US\$</b>                       |  |        |                     |        |                                      |        |                     |        |
| <b>Net revenues</b>                           | \$ 43,212                                | 100.0% | \$ 38,964           | 100.0% | \$ 47,923                            | 100.0% | \$ 38,535           | 100.0% |
| <b>Cost of revenues</b>                       | 45,501                                   | 105.3% | 40,066              | 102.8% | 43,427                               | 90.6%  | 35,826              | 93.0%  |
| <b>Gross loss</b>                             | (2,289)                                  | -5.3%  | (1,102)             | -2.8%  |                                      |        |                     |        |
| <b>Gross profit</b>                           |  |        |                     |        | 4,496                                | 9.4%   | 2,709               | 7.0%   |
| <b>Operating expenses:</b>                    |  |        |                     |        |                                      |        |                     |        |
| General and administrative                    | 8,847                                    | 20.5%  | 9,506               | 24.4%  | 10,527                               | 22.0%  | 9,128               | 23.7%  |
| Sales, marketing and customer service         | 1,080                                    | 2.5%   | 3,172               | 8.1%   | 1,200                                | 2.5%   | 1,243               | 3.2%   |
| Impairment charges on long-lived assets       | 1,809                                    | 4.2%   | -                   | -      |                                      |        |                     |        |
| (Reversal) Provision for credit losses        | (262)                                    | -0.6%  | 2,184               | 5.6%   |                                      |        |                     |        |
| <b>Provision (reversal) for credit losses</b> |  |        |                     |        | 37                                   | 0.1%   | (683)               | -1.8%  |
| <b>Total operating expenses</b>               | 11,474                                   | 26.6%  | 14,862              | 38.1%  | 11,764                               | 24.6%  | 9,688               | 25.1%  |
| <b>Operating loss</b>                         | (13,763)                                 | -31.8% | (15,964)            | -41.0% | (7,268)                              | -15.2% | (6,979)             | -18.1% |
| <b>Other (expense) income:</b>                |  |        |                     |        |                                      |        |                     |        |
| <b>Other expense (income):</b>                |  |        |                     |        |                                      |        |                     |        |
| Interest expenses, net                        | (1,282)                                  | -3.0%  | (880)               | -2.3%  | 1,989                                | 4.1%   | 1,401               | 3.6%   |

|  |                    |               |                    |               |                   |               |                   |               |
|--|--------------------|---------------|--------------------|---------------|-------------------|---------------|-------------------|---------------|
| Loss on extinguishment of convertible bonds  | (422)              | -1.0%         | -                  | -             |                   |               |                   |               |
| Net foreign exchange gain                    | 2,603              | 6.0%          | 870                | 2.2%          |                   |               |                   |               |
| Change in fair value of derivative liability |                    |               |                    |               | 228               | 0.5%          | -                 | -             |
| Net foreign exchange loss (gain)             |                    |               |                    |               | 843               | 1.7%          | (1,062)           | -2.8%         |
| Gain on sales-type leases                    |                    |               |                    |               | (99)              | -0.2%         | -                 | -             |
| Others                                       | 71                 | 0.2%          | (9)                | -             | (864)             | -1.8%         | (788)             | -2.0%         |
| Total other income (expenses), net           | 970                | 2.2%          | (19)               | -             |                   |               |                   |               |
| Loss before income taxes                     | (12,793)           | -29.6%        | (15,983)           | -41.0%        |                   |               |                   |               |
| Total other expenses (income), net           |                    |               |                    |               | 2,097             | 4.3%          | (449)             | -1.2%         |
| Net loss before income taxes                 |                    |               |                    |               | (9,365)           | -19.5%        | (6,530)           | -16.9%        |
| Income taxes expense                         | 700                | 1.6%          | 496                | 1.3%          | 384               | 0.8%          | 256               | 0.7%          |
| Net loss                                     | <u>\$ (13,493)</u> | <u>-31.2%</u> | <u>\$ (16,479)</u> | <u>-42.3%</u> | <u>\$ (9,749)</u> | <u>-20.3%</u> | <u>\$ (6,786)</u> | <u>-17.6%</u> |

22 23

**Net revenues** — Net revenues were \$43.2 million, \$47.9 million and \$39.0 million, \$38.5 million for the three months ended September 30, 2022, March 31, 2023 and 2021, 2022, respectively, representing an increase of \$4.2 million, \$9.4 million or 10.9%, 24.4%. The increase in net sales for the three months ended September 30, 2022, March 31, 2023 over the comparative period was primarily due to the increase of revenue from sales of PV components of \$8.3 million, \$7.0 million and \$1.4 million, \$9.0 million from sales of solar modules, and was partially net off by the decrease of revenue from roofing and solar energy systems installation of \$5.7 million, \$7.9 million.

**Cost of revenues** — Cost of revenues was \$45.5 million (105.3%), \$43.4 million (90.6% of net sales) revenue) and \$40.1 million (102.8%, \$35.8 million (93.0% of net sales) revenue) for the three months ended September 30, 2022, March 31, 2023 and 2021, 2022, respectively, representing an increase of \$5.4 million, \$7.6 million or 13.6%, 21.2%. The increase in cost of goods sold was consistent with the increase of net revenues.

**Gross loss/profit** — Our gross loss decreased from \$1.1 million, profit increased to \$4.5 million in the three months ended September 30, 2021 to \$2.3 million, March 31, 2023 from \$2.7 million in the three months ended September 30, 2022, March 31, 2022. Gross margins were -5.3%, 9.4% and -2.8%, 7.0% for the three months ended September 30, 2022, March 31, 2023 and 2021, 2022, respectively. The decrease/increase in gross margin was primarily due to the decrease/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. Since installation and its percentage in the Company's indirect costs of job management is relatively fixed, the decrease in number of work-in-progress jobs significantly decreased the overall GP of roofing and solar energy system installation, total revenue.

**General and administrative expenses** — General and administrative expenses were \$8.8 million (20.5%), \$10.5 million (22.0% of net sales) revenue) and \$9.5 million (24.4%, \$9.1 million (23.7% of net sales) revenue) for the three months ended September 30, 2022, March 31, 2023 and 2021, 2022, respectively, representing a decrease/an increase of \$0.7 million, \$1.4 million, or 6.9%, 15.3%. The decrease/increase of general and administrative expenses was mainly due to the decrease/increases in stock-based compensation expense, research and development expenses.

**Sales, marketing and customer service expenses** — Sales, marketing and customer service expenses were \$1.1 million, \$1.2 million (2.5% of net sales) revenue) and \$3.2 million (8.1%, \$1.2 million (3.2% of net sales) revenue) for the three months ended September 30, 2022, March 31, 2023 and 2021, 2022, respectively, representing a decrease of \$2.1 million, or 66.0%, 2022, respectively. The decrease was mainly due to sales, marketing and customer service expenses kept stable in the decrease of amortization of the cost of customer list and work in process contracts purchased from the PDI, two periods.

**Impairment charges on long-lived assets** — Impairment charges on long-lived assets were \$1.8 million and nil for the three months ended September 30, 2022 and 2021, respectively, which was mainly due to the impairment of right-of-use assets of SJ US.

**(Reversal) Provision (reversal) for credit loss losses** — In the three months ended September 30, 2022, we reversed credit loss provision of \$0.3 million, primarily due to the strengthening monitoring on accounts receivable collection. In the three months ended September 30, 2021, March 31, 2023, we accrued credit loss provision of \$2.2 million, \$0.04 million which is mainly due to additional provision made for the accounts receivable from the business of roofing and solar energy systems installation sales of PV components in U.S. Australia. In the three months ended March 31, 2022, we reversed credit loss provision of \$0.7 million, primarily due to the strengthening monitoring on accounts receivable collection.

**Interest expense, net** — Interest expense, net was \$1.3 million (3.0%), \$2.0 million (4.1% of net sales) and \$0.9 million (2.3%, \$1.4 million (3.6% of net sales) for the three months ended September 30, 2022, March 31, 2023 and 2021, 2022, respectively. The increase in interest expense was primarily due to interest accrued from new convertible bonds.

**Loss on extinguishment of convertible bonds** — We had a loss on extinguishment of convertible bonds of \$0.4 million (1.0% of net sales) for the three months ended September 30, 2022. The loss came from the extinguishment of the convertible bonds during the current period.

**Net foreign exchange gain/loss (gain)** — We had a net foreign exchange loss of \$0.8 million (1.7% of net revenue) and a net foreign exchange gain of \$2.6 million (6.0%, \$1.1 million (2.8% of net sales) and \$0.9 million (2.2% of net sales) revenue) for the three months ended September 30, 2022, March 31, 2023 and 2021, 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 (1.6%), \$0.4 million (0.8% of net sales) revenue) and \$0.5 million (1.3%, \$0.3 million (0.7% of net sales) revenue) for the three months ended September 30, 2022, March 31, 2023 and 2021, 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 \$13.5 million (31.2%), \$9.7 million (20.3% of net sales) revenue), for the three months ended September 30, 2022, March 31, 2023, representing a decrease/an increase of net loss of \$3.0 million compared to a net loss of \$16.5 million (42.3%), \$6.8 million (17.6% of net sales) revenue) for the three months ended September 30, 2021, March 31, 2022.

## Results of Operations for the Nine Months Ended September 30, 2022 and 2021

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.

|   | For the Nine Months Ended September 30, |        |             |        |
|---|---|--------|-------------|--------|
|   | 2022                                    |        | 2021        |        |
|   | (Unaudited)                             |        | (Unaudited) |        |
| Net revenues                                | \$ 130,331                              | 100.0% | \$ 118,404  | 100.0% |
| Cost of revenues                            | 126,039                                 | 96.7%  | 112,139     | 94.7%  |
| Gross profit                                | 4,292                                   | 3.3%   | 6,265       | 5.3%   |
| Operating expenses:                         |   |        |             |        |
| General and administrative                  | 25,600                                  | 19.6%  | 26,775      | 22.6%  |
| Sales, marketing and customer service       | 3,691                                   | 2.8%   | 5,418       | 4.6%   |
| Impairment charges on long-lived assets     | 1,809                                   | 1.4%   | –           | 0.0%   |
| (Reversal) provision of credit losses       | (471)                                   | -0.4%  | 2,503       | 2.1%   |
| Total operating expenses                    | 30,629                                  | 23.5%  | 34,696      | 29.3%  |
| Operating loss                              | (26,337)                                | -20.2% | (28,431)    | -24.0% |
| Other (expenses) income:                    |   |        |             |        |
| Interest expenses, net                      | (4,320)                                 | -3.3%  | (3,582)     | -3.0%  |
| Loss on extinguishment of convertible bonds | (2,634)                                 | -2.0%  | –           | 0.0%   |
| Net foreign exchange gain                   | 5,927                                   | 4.5%   | 1,580       | 1.3%   |
| Others                                      | 6,278                                   | 4.8%   | 743         | 0.6%   |
| Total other income (expenses), net          | 5,251                                   | 4.0%   | (1,259)     | -1.1%  |
| Loss before income taxes                    | (21,086)                                | -16.2% | (29,690)    | -25.1% |
| Income taxes expense                        | 1,411                                   | 1.1%   | 1,356       | 1.1%   |
| Net loss                                    | \$ (22,497)                             | -17.3% | \$ (31,046) | -26.2% |

**Net revenues** — Net revenues were \$130.3 million and \$118.4 million for the nine months ended September 30, 2022 and 2021, respectively, representing an increase of \$11.9 million or 10.1%. The increase in net sales for the nine months ended September 30, 2022 over the comparative period was primarily due to the increase of revenue from sales of PV components of \$8.4 million, forklift sales of \$0.9 million and \$1.4 million from sales of solar modules.

**Cost of revenues** — Cost of revenues was \$126.0 million (96.7% of net sales) and \$112.1 million (94.7% of net sales) for the nine months ended September 30, 2022 and 2021, respectively, representing an increase of \$13.9 million or 12.4%. The increase in cost of revenues was consistent with the increase of net revenues.

**Gross profit** — Our gross profit decreased from \$6.3 million in the nine months ended September 30, 2021 to \$4.3 million in the nine months ended September 30, 2022. Gross margins were 3.3% and 5.3% for the nine months ended September 30, 2022 and 2021, respectively. The decrease in gross margin was primarily due to the decrease in gross margin of roofing and solar energy system installation. Since the Company's indirect costs of job management is relatively fixed, the decrease in number of work-in-progress jobs significantly decreased the overall GP of roofing and solar energy system installation.

*General and administrative expenses* — General and administrative expenses were \$25.6 million (19.6% of net sale) and \$26.8 million (22.6% of net sale) for the nine months ended September 30, 2022 and 2021, respectively, representing a decrease of \$1.2 million, or 4.4%. The decrease was mainly because there was one-off expense from U.S. subsidiary's business on roofing and solar energy systems installation that started in 2021, and was partially net off by the increase of the salary expense in Phoenix due to the new mid and top level managerial staffs hired with higher salaries.

*Sales, marketing and customer service expenses* — Sales, marketing and customer service expenses were \$3.7 million (2.8% of net sales) and \$5.4 million (4.6% of net sales) for the nine months ended September 30, 2022 and 2021, respectively, representing a decrease of \$1.7 million, or 31.9%. The decrease in our sales, marketing and customer service expenses was mainly due to the decrease of amortization of the cost of customer list and work in process contracts purchased from the PDI.

*Impairment charges on long-lived assets* — Impairment charges on long-lived assets were \$1.8 million and nil for the nine months ended September 30, 2022 and 2021, respectively, which was mainly due to the impairment of right-of-use assets of SJ US.

*Loss on extinguishment of convertible bonds* — We had a loss on extinguishment of convertible bonds of \$2.6 million (2.0% of net sales) for the nine months ended September 30, 2022. The loss came from the extinguishment of the convertible bonds during the current period.

*(Reversal) provision for credit loss* — In the nine months ended September 30, 2022, we reversed credit loss provision of \$0.5 million, primarily due to the strengthening monitoring on accounts receivable collection. In the nine months ended September 30, 2021, we accrued credit loss provision of \$2.5M which is mainly due to additional provision made for the accounts receivable from the business of roofing and solar energy systems installation in U.S.

*Interest expense, net* — Interest expense net was \$4.3 million (3.3% of net sales) and \$3.6 million (3.0% of net sales) for the nine months ended September 30, 2022 and 2021, respectively. The increase in interest expense was primarily due to interest accrued from new convertible bonds.

*Loss on extinguishment of convertible bonds* — We had a loss on extinguishment of convertible bonds of \$2.6 million (2.0% of net sales) and nil for the nine months ended September 30, 2022 and 2021, respectively. The loss came from the extinguishment of the convertible bonds during the current period.

*Net foreign exchange gain* — We had a net foreign exchange gain of \$5.9 million (4.5% of net sales) and \$1.6 million (1.3% of net sales) for the nine months ended September 30, 2022 and 2021, respectively. The variance is mainly due the fluctuation of exchange rate for EUR/USD and AUD/USD.

*Others* — We generated other income of \$6.3 million (4.8% of net sales) and \$0.7 million (0.6% of net sales) in the nine months ended September 30, 2022 and 2021. The other income in the nine months ended September 30, 2022 mainly represents the gain on PPP loan forgiveness of \$5.1 million and the gain on disposal for bitcoin equipment of \$0.5 million. The other income in the nine months ended September 30, 2021 mainly represents the gain on forward contracts of \$0.6 million.

*Income tax expense* — We had a provision for income taxes of \$1.4 million (1.1% of net sales) for the nine months ended September 30, 2022 and 2021, 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 \$22.5 million (17.3% of net sales) for the nine months ended September 30, 2022, representing a decrease of net loss of \$8.5 million compared to a net loss of \$31.0 million (26.2% of net sales) for the nine months ended September 30, 2021.

#### 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 September 30, 2022 March 31, 2023, we had \$12.8 million \$5.0 million in cash and cash equivalents, and restricted cash.

We suffered a net loss of \$22.5 million \$9.7 million during the nine three months ended September 30, 2022 March 31, 2023, and the cash flow used in operating activities was \$13.0 million \$4.9 million. As of September 30, 2022 March 31, 2022, there is net working capital deficit of \$96.9 million \$115.4 million and accumulated deficit of \$660.0 million \$680.2 million. These factors raise substantial doubt as to the Group's ability to continue as a going concern. We intend

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 and other level. Such measures including; 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 US; 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; 5) obtain equity financing from certain subsidiaries' initial public offerings; expenses and 6) seek for certain credit facilities. While

If we believe 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 it will financing sources are not available, or that we are unsuccessful in increasing our gross profit margin and reducing operating losses, we may be successful in meeting its liquidity 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 cash flow requirements, there is no assurance results of operations and may materially adversely affect our ability to that effect. Our 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 may result from the outcome of these uncertainties. 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 nine months ended<br>September 30, |                     | For the three months<br>ended March 31, |                     |
|--|--|---------------------|---|---------------------|
|  | 2022<br>(Unaudited)                        | 2021<br>(Unaudited) | 2023<br>(Unaudited)                     | 2022<br>(Unaudited) |
| Net cash used in operating activities                      | \$ (12,968)                                | \$ (22,460)         | \$ (4,873)                              | \$ (8,583)          |
| Net cash used in investing activities                      | (4,615)                                    | (9,053)             |   |                     |
| Net cash provided by financing activities                  | 13,503                                     | 15,103              |   |                     |
| Net cash (used in) provided by investing activities        |  |                     | (354)                                   | 1,096               |
| Net cash (used in) provided by financing activities        |  |                     | (2,013)                                 | 2,129               |
| Effect of exchange rate changes on cash                    | (968)                                      | (1,155)             | 1,268                                   | 370                 |
| Net decrease in cash, cash equivalents and restricted cash | \$ (5,048)                                 | \$ (17,565)         | \$ (5,972)                              | \$ (4,988)          |

## Operating Activities

Net cash used in operating activities was \$13.0 million \$4.9 million for the nine three months ended September 30, 2022 March 31, 2023, primarily as a result of (i) net loss of \$22.5 million \$9.7 million, (ii) gain on forgiveness of PPP loan of \$5.1 million, (iii) increase in prepaid expenses and other assets of \$2.8 million due to prepaid R&D expenses, (iv) increase of inventories of \$4.3 million \$5.5 million for purchasing raw materials for upcoming productions; productions, (iii) decrease in advances from customers of \$1.1 million, (iv) decrease in lease liability of \$1.0 million, and (v) decrease increase in accounts receivable of amount due to related parties of \$4.4 million due to fluctuation of exchange rate for EUR/USD; \$1.0 million; the decrease was partially offset by (i) increase in advances from customers accounts payable of \$1.9 million due to collection from customers while slow progress of the uncompleted jobs, \$6.7 million, (ii) increase in accrued liabilities and other liabilities of \$7.5 million, (iii) increase in accounts payable of \$5.1 million \$1.8 million, both due to slow payment of liabilities as a result of capital shortage, (iii) depreciation and amortization of \$1.4 million, (iv) decrease in accounts receivable amortization of \$2.6 million due to closer monitoring debt discount on collections, convertible bond of \$ 1.1 million, (v) loss on extinguishment amortization of convertible bonds right-of-use assets of \$2.6 million \$1.1 million, and (vi) stock-based compensation expense of \$3.1 million, (vii) depreciation and amortization of \$3.3 million \$0.6 million.

Net cash used in operating activities was \$22.5 million \$8.6 million for the nine three months ended September 30, 2021 March 31, 2022, primarily as a result of (i) net loss of \$31.0 million \$6.8 million, (ii) increase in inventories of \$4.6 million, (iii) decrease in lease liability of \$3.1 million, (iv) increase in accounts receivable of \$2.0 million, and (v) increase in project assets of \$2.0 million; the decrease was partially offset by (i) amortization of right-of-use assets of \$2.7 million, (ii) increase in accrued liabilities and other liabilities of \$1.8 million, (iii) increase in accounts payable of \$1.7 million, (iv) decrease in prepaid expenses and other current assets of \$8.7 million due to prepayment of raw materials for the new roofing business; was partially offset by (i) increase in accounts payable of \$4.2 million for purchasing of inventories in SJ Australia for preparation of peak sales season, (ii) decrease in accounts receivable of \$3.1 million due to higher bad debt ratio related to the new roofing business, and (iii) \$1.4 million, (v) stock-based compensation expense of \$5.1 million \$1.2 million, (iv) and (vi) depreciation and amortization of \$5.0 million \$0.7 million.

## Investing Activities

Net cash used in investing activities was \$4.6 million \$0.4 million for nine three months ended September 30, 2022 March 31, 2023, primarily as a result of cash paid for purchase of property and equipment of \$6.5 million, partially offset by proceeds from disposal of equipment of \$1.9 million \$0.4 million.

Net cash used in provided by investing activities was \$9.1 million \$1.1 million for nine three months ended September 30, 2021 March 31, 2022, primarily as a result of cash paid for asset purchase of PDI in the amount of \$8.0 million and purchase proceeds from disposal of property and equipment of \$1.2 million \$1.3 million, partially offset by cash paid for purchase of property, plant and equipment of \$0.2 million.

## Financing Activities

Net cash provided by used in financing activities was \$13.5 million \$2 million for the nine three months ended September 30, 2022 March 31, 2023, primarily consisted of (i) proceeds from IPO of Phoenix of \$13.4 million, (ii) proceeds from issuance of convertible note of \$2.0 million, partially offset by (i) net repayment of borrowings of \$2 million \$5 million, partially offset by (i) proceeds from borrowings of \$1.8 million, (ii) proceeds received from standby equity purchase agreement of Phoenix of \$1.2 million.

Net cash provided by financing activities from financing activities was \$15.1 million \$2.1 million for the nine three months ended September 30, 2021 March 31, 2022, primarily consisted of (i) proceeds from issuance of ordinary shares of \$13.6 million, (ii) proceeds from issuance of convertible note of \$12.0 million, and (iii) net proceeds received from borrowings of \$2.2 million; partially offset by (i) repayment of convertible notes of \$13.8 million, borrowings.

## Capital Expenditures

We incurred capital expenditures of \$6.5 million \$0.4 million and \$9.2 million \$0.2 million for the nine three months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively. Capital There are no capital commitments amounted to approximately \$8.1 million as of September 30, 2022 March 31, 2023. These capital commitments were solely related to contracts signed with vendors automation production line, equipment or PV related products used for the construction of solar PV systems being developed by the Group. We expect to finance construction of these projects using cash from our operations and private placements, registered offerings, bank borrowings as well as other third-party financing options.



### **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 nine months ended September 30, 2022 March 31, 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.

### **Off-Balance Sheet Arrangements**

As of September 30, 2022 March 31, 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 **September 30, 2022** **March 31, 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, 2021** **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;
- (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, 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 and analyze risks.

#### 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 2022 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.

## 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. As 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 date requested judgment. We has filed opposition to amended petition and motion to confirm arbitral award on May 11, 2023, and the hearing is set for June 1, 2023.

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 report, we were 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 served with 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 action. We are negotiating with Sinsin temporary restraining order requiring us to pay the 2022 Note in order to achieve a settlement to suspend and dismiss full from the enforcement proceeds of these arbitration awards. the IPO of our subsidiary, Solarjuice Co., Ltd.

**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        | <a href="#">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.</a>                    |
| 31.2        | <a href="#">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.</a>                    |
| 32          | <a href="#">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.</a> |
| 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: **November 14, 2022** **May 22, 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: November 14, 2022 May 22, 2023

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

## Exhibit 31.2

### 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: November 14, 2022 May 22, 2023

/s/ Janet Chen

Janet Chen

Chief Financial Officer

(Principal financial and accounting officer)

Exhibit 32

**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 September 30, 2022 March 31, 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: November 14, 2022 May 22, 2023

/s/ Xiaofeng Peng

Xiaofeng Peng

Chief Executive Officer

(Principal executive officer)

Date: November 14, 2022 May 22, 2023

/s/ Janet Chen

Janet Chen

Chief Financial Officer

(Principal financial and accounting officer)

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