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**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 December 31, 2019

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: 001-37902

**MOXIAN, INC.**

(Exact name of registrant as specified in its charter)

Nevada

27-3729742

(State or other jurisdiction of  
incorporation or organization)

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

**Units B&C, 9/F, Block D, Fuhua Tower,  
8 Chaoyangmen North Street, Dongcheng District, Beijing 100027, China**  
(Address of Principal Executive Offices)

Tel: +86 (010) 5332-0602

Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth Company

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

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

As of April 6, 2020, the registrant had 16,191,429 shares of common stock, par value \$0.001 per share, issued and outstanding.

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	MOXC	Nasdaq Capital Market

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## MOXIAN, INC.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	<u>December 31, 2019</u>	<u>September 30, 2019</u>
		-
Cash and Cash equivalents	\$ 38,019	\$ 425,632
Other Receivable - Share Subscription Proceeds (Note 3)	1,205,488	2,100,000
Total current assets	<u>1,243,507</u>	<u>2,525,632</u>
Research and Development (Note 5)	498,263	-
Total Assets	<u>\$ 1,741,770</u>	<u>\$ 2,525,632</u>
Accruals and other payables (Note 6)	\$ (1,094,586)	\$ (1,879,652)
Loans payable (Note 7)	(301,581)	(497,293)
Total current liabilities	<u>(1,396,167)</u>	<u>(2,376,945)</u>
<b>Net Assets</b>	<b>345,603</b>	<b>148,687</b>
Preferred stock, \$0.001 par value, authorized: 100,000,000 shares. Nil shares issued and outstanding	-	-
Common stock, \$0.001 par value, authorized: 50,000,000 shares. 16,191,529 shares issued and outstanding as of December 31, 2019 and September 30, 2019, respectively	16,191	16,191
Additional paid-in capital	40,114,606	40,114,606
Accumulated deficiency	(40,509,628)	(40,734,066)
Accumulated other comprehensive income	724,434	751,956
<b>Shareholders' Equity</b>	<u><b>345,603</b></u>	<u><b>148,687</b></u>

See accompanying notes to the unaudited condensed consolidated financial statements

MOXIAN, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	<b>For Three Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenues	\$ 383,375	\$ 144,515
Selling, general and administrative expenses	158,957	143,437
Gain from operations	224,418	1,078
Gain before income tax	224,418	1,078
Income tax expense	-	-
Net gain	224,418	1,078
Foreign currency translation adjustments		3,147
Comprehensive gain	\$ 224,418	\$ 4,225
Basic and diluted gain per common share	\$ 0.01	\$ (0.00)
Basic and diluted weighted average common shares outstanding	16,191,529	43,563,291

See accompanying notes to unaudited condensed consolidated financial statements

MOXIAN, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>For Three Months Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Net gain	\$ 224,418	\$ 1,078
Adjustments to reconcile net gain to net cash used in operating activities		
Settlement of Accruals and other payables	(92,068)	
Investment in Research and Development	(498,623)	-
Repayment of loans	(57,444)	-
Proceeds from Share Subscription	114,888	-
IPO proceeds released from an indemnification escrow	-	170,000
Net cash used during the period	(308,829)	171,078
Effect of exchange rates on cash and cash equivalents	(78,784)	3,147
Net (decrease)/increase in cash and cash equivalents	(387,613)	174,225
Cash and cash equivalents, beginning of period	425,632	129,737
Cash and cash equivalents, end of period	38,019	\$ 303,962
<b>Supplemental cash flow disclosures:</b>		
Non-cash financing activities – Share Subscription Proceeds	\$ 779,624	-
Non-cash operating activities – Accruals and other payables	\$ 877,134	

See accompanying notes to unaudited condensed consolidated financial statements

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**1. Organization and Corporate Developments**

Organization of the Group

Moxian, Inc. (formerly known as Moxian China, Inc., hereinafter referred as “Moxian,” together with its subsidiaries and variable interest entity, the “Company”), was incorporated under the laws of the State of Nevada on October 12, 2010. The Company, through its subsidiaries and variable interest entity, engages in the business of operating a social network platform that integrates social media and business into one single platform. The Company has devoted its efforts to develop a mobile application and online platform that facilitate the small to medium size businesses to attract more clients. The Company’s ability to generate sufficient funds to meet its working capital requirements is dependent upon its ability to develop additional sources of capital, develop apps and websites, generate servicing income, and ultimately, achieve profitable operations (see Note 2).

On February 17, 2014, the Company incorporated Moxian CN Group Limited (“Moxian CN Samoa”) under the laws of Samoa.

On February 21, 2014, Moxian acquired Moxian Group Limited (“Moxian BVI”), together with its subsidiaries, Moxian (Hong Kong) Limited (“Moxian HK”), Moxian Technology (Shenzhen) Co., Ltd. (“Moxian Shenzhen”), and Moxian Malaysia Sdn. Bhd. (“Moxian Malaysia”) through our wholly owned subsidiary, Moxian CN Samoa from Rebel Group, Inc. (“REBL”), a company incorporated in the State of Florida and of which our previous Chief Executive Officer, Tan Meng Dong, is a promoter as the term is defined under Rule 405 of Regulation C promulgated under the Securities Act, by entering into a License and Acquisition Agreement (the “License and Acquisition Agreement”) in consideration of \$1,000,000 (“Moxian BVI Purchase Price”). As a result, Moxian BVI, together with its subsidiaries, Moxian HK, Moxian Shenzhen, and Moxian Malaysia, became the Company’s subsidiaries. Under the License and Acquisition Agreement, REBL also agreed to grant us the exclusive right to use REBL’s intellectual property rights (collectively, the “IP Rights”) in Mainland China, Malaysia, and other countries and regions where REBL conducts its business (the “Licensed Territory”), and the exclusive right to solicit, promote, distribute and sell REBL products and services in the Licensed Territory for five years (the “License,”) and in consideration of such License, the Company agreed to pay to REBL (i) \$1,000,000 as license maintenance royalty each year commencing on the first anniversary of the date of the License Agreement; and (ii) 3% of the gross profits resulting from the distribution and sale of the products and services on behalf of the Company as an earned royalty.

On January 30, 2015, the Company entered into an Equity Transfer Agreement (such transaction, the “Equity Transfer Transaction”) with REBL, to acquire from REBL, 100% of the equity interests of Moxian Intellectual Property Limited, a company incorporated under the laws of Samoa and a wholly-owned subsidiary of REBL (“Moxian IP Samoa”) for \$6,782,000. Moxian IP Samoa owns all the intellectual property rights relating to the operation, use and marketing of the Moxian Platform, including all of the trademarks, patents and copyrights that are used in the Company’s business. As a result of the Equity Transfer Transaction, Moxian IP Samoa became a wholly-owned subsidiary of the Company.

Moxian BVI was incorporated on July 3, 2012 under the laws of British Virgin Islands. REBL owned 100% equity interests of Moxian BVI prior to the closing of the License and Acquisition Agreement, among the Company, Moxian BVI and REBL.

Moxian Technologies (Beijing) Co., Ltd. (“Moxian Beijing”) was incorporated on December 10, 2015 under the laws of the People’s Republic of China and is a wholly owned subsidiary of Moxian Shenzhen. Moxian Shenzhen made an investment of RMB 10 million (approximately USD \$1.5 million) to Moxian Beijing during the year ended September 30, 2017.

Moxian HK was incorporated on January 18, 2013 and became Moxian BVI’s subsidiary on February 14, 2013. Moxian HK is currently engaged in the business of online social media. Moxian HK operates through two wholly owned subsidiaries: Moxian Shenzhen and Moxian Malaysia.

Moxian Shenzhen is wholly owned by Moxian HK. Moxian Shenzhen was incorporated on April 8, 2013 and is engaged in the business of internet technology, computer software, commercial information consulting.

Moxian Malaysia was incorporated on March 1, 2013 and became Moxian HK's subsidiary since April 2, 2013. Moxian Malaysia was previously in the business of IT services and media advertising but have ceased operations since June 2015.

Shenzhen Moyi Technologies Co., Ltd. ("Moyi") was incorporated on July 19, 2013 under the laws of the People's Republic of China and became a variable interest entity ("VIE") of Moxian Shenzhen on July 15, 2014. Moxian Shenzhen controls Moyi through arrangement that absorbs operations risk, as if Moyi is a wholly owned subsidiary of Moxian Shenzhen.

On December 18, 2017, the Company entered into a Tripartite Agreement with the original shareholders of Moyi and the new shareholders of Moyi wherein the Company agrees to the transfer of the equity interests of Moyi and all related rights, liabilities and obligations under the Moyi Agreements such that the new shareholders stand in place of the old shareholders in all aspects of the Moyi Agreements.

On January 30, 2018, a wholly-owned subsidiary of Moxian Shenzhen, Moxian Information Technologies (Shanghai) Co. Ltd. ("Moxian Shanghai") was incorporated under the laws of the People's Republic of China.

### Corporate Developments

On November 14, 2016 the Company announced the completion of a public offering of 2,501,250 shares of its common stock at a public offering price of \$4.00 per share. The gross proceeds from its offering were approximately \$10,005,000 before deducting agents' commissions and other offering expenses, resulting in net proceeds of approximately, \$8.5 million. In connection with the offering, the Company's common stock began trading on the NASDAQ Capital Market beginning on November 15, 2016 under the symbol "MOXC"

On April 22, 2019, the Company implemented a 1-for-5 reverse share split and concurrently reduced its authorized shares of common stock from 250,000,000 to 50,000,000 (See Note 8 (c) Reverse Share Split).

On May 2, 2019, the Company reached an agreement with each of its three loan creditors as of September 30, 2018 regarding settlement of their loans to the Company. Under the agreements, all three loan creditors, which are unrelated parties as of the date of the agreements, would write off a total of \$6,243,439 of the loans due from the Company and would accept a total of 720,000 shares of Common Stock in settlement of the remaining balances of the loans. The 720,000 new shares of Common Stock were issued on September, 30, 2019.

On June 21, 2019, the Company entered into an Agreement ("the Agreement") with Joyful Corporation Limited (the "Investor") whereby the Investor (a) purchased from the Company 2,000,000 shares of the Company's common stock at a price of \$1.25 per share for aggregate gross proceeds of \$2,500,000 and (b) acquired from the Company a call option to purchase up to 690,000 shares of the Company's common stock at a price per share of \$1.25; the option expired on September 30, 2019.

The Company has two main divisions of business. It is in the O2O ("Online-to-Offline") business with the development of an online platform for small and medium sized enterprises ("SMEs") with physical stores to conduct business online, interact with existing customers and obtain new customers. It also operates pursuant to an exclusive agreement, the Games Channel of the state-owned Xinhua News Agency App and is a general agent for all advertisements on this mobile application.

However, due to the highly competitive nature of the O2O market, and the slow development of its products, the Company has incurred losses since inception. By September 30, 2018, the Company had run out of funds and some of the major shareholders of the Company were not prepared to give further financial support. The Company decided to continue its operations in the digital advertising business but temporarily halt the operation of its App until its financial situation improved.

## **2. Summary of principal accounting policies**

### Basis of presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and reflect the activities of the following subsidiaries and VIE: Moxian CN Samoa, Moxian BVI, Moxian HK, Moxian Beijing, and Moxian IP Samoa. All inter-company transactions and balances have been eliminated in the consolidation. All other subsidiary companies and the sole VIE, Moyi, have been inactive since September 30, 2018.

The unaudited interim condensed consolidated financial information as of December 31, 2019 and for the three months ended December 31, 2019 and 2018 have been prepared, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures, which are normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP, have been omitted pursuant to those rules and regulations. The unaudited interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Form 10-K for the fiscal year ended September 30, 2019, previously filed with the SEC on January 14, 2020.



MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair statement of the Company's unaudited condensed consolidated financial position as of December 31, 2019 and of its unaudited condensed consolidated results of operations for the three months ended December 31, 2019 and 2018, and of its unaudited condensed consolidated cash flows for the three months ended December 31, 2019 and 2018, as applicable, have been made. The interim results of operations are not necessarily indicative of the operating results for the full fiscal year or any future periods.

The following assets and liabilities of the VIE, which has been dormant since September 30, 2018, are included in the accompanying consolidated financial statements of the Company as of December 31, 2019 and September 30, 2019:

	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current assets	\$ -	\$ -
Non-current assets	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ 2,043,779	\$ 2,043,779
Non-current liabilities	-	-
Total liabilities	<u>\$ 2,043,779</u>	<u>\$ 2,043,779</u>

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation.

Going Concern

As explained in Note 1, the Company has been restricted to a single line of business since September 30, 2018.

In assessing the Company's liquidity and its ability to continue as a going concern, the Company monitors and analyzes its cash and cash equivalents and its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations.

If the Company is unable to obtain the necessary additional capital on a timely basis and on acceptable terms, it will be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures. Any of these factors would have a material adverse effect on its business, prospects, financial condition and results of operations and raise substantial doubts about the ability of the Company to continue as a going concern. The consolidated financial statements for the period ended December 31, 2019 and September 30, 2019 have been prepared on a going concern basis and do not include any adjustments to reflect the possible future effects on the recoverability and classifications of assets or the amounts and classifications of liabilities that may result from the inability of the Company to continue as a going concern.

## 2. Summary of principal accounting policies (Continued)

### Risks and Uncertainties

The Company's operations are substantially carried out in the People's Republic of China ("PRC"). Accordingly, the Company's business, financial condition and results of operations may be substantially influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC's economy. The Company's operations in the PRC are subject to specific considerations and significant risks not typically associated with companies in North America and Western Europe. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

Since September 30, 2018 the Company's operations have been carried out in its Beijing subsidiary, Moxian Beijing, whereas the intermediate company in Hong Kong, Moxian HK, provides support for the treasury and corporate functions. All other companies of the Group are dormant and have no business operations.

### Fair value of financial instruments

The Company follows the provisions of Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures." ASC 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs other than quoted prices that are observable for the asset or liability in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect management's assumptions based on the best available information.

The carrying value of cash and cash equivalents, restricted cash, prepayments, deposits and other receivables, Value added tax recoverable, accruals and other payables, loans from related parties and stock subscription payable approximate their fair values because of the short-term nature of these instruments.

### Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates required to be made by management include but not limited to, useful lives of property and equipment, intangible assets valuation, inventory valuation and deferred tax assets. Actual results could differ from those estimates.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Property and Equipment, net

Property and equipment are recorded at cost less accumulated depreciation and impairment. Significant additions or improvements extending useful lives of assets are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Electronic equipment	3-6 years
Furniture and fixtures	3-6 years
Leasehold improvements	Shorter of estimated useful life or term of lease

Impairment of long-lived assets

The Company classifies its long-lived assets into: (i) computer and office equipment; (ii) furniture and fixtures, (iii) leasehold improvements, and (iv) finite – lived intangible assets.

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. It is possible that these assets could become impaired as a result of technology, economy or other industry changes. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, relief from royalty income approach, quoted market values and third-party independent appraisals, as considered necessary.

The Company makes various assumptions and estimates regarding estimated future cash flows and other factors in determining the fair values of the respective assets. The assumptions and estimates used to determine future values and remaining useful lives of long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as the Company's business strategy and its forecasts for specific market expansion.

Due to the continuing losses from operations with minimal revenues, the Company recorded a valuation reserve against its remaining intangible assets in 2018.

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Revenue recognition

The Company currently recognizes revenue from the sale of merchandise through its online platforms. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Revenue is recorded on a gross basis, net of surcharges and value added tax (“VAT”). The Company recorded revenue on a gross basis because the Company has the following indicators for gross reporting: it is the primary obligor of the sales arrangements, is subject to inventory risks of physical loss, has latitude in establishing prices, has discretion in suppliers’ selection and assumes credit risks on receivables from customers.

Revenue from advertising is recognized as advertisements are displayed. Revenue from software development services comprises revenue from time and material and fixed price contracts. Revenue from time and material contracts are recognized as related services are performed. Revenue on fixed price contracts is recognized in accordance with percentage of completion method of accounting.

Income taxes

The Company utilizes ASC Topic 740 (“ASC 740”) “Income taxes”, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited condensed consolidated financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 “Income taxes” clarifies the accounting for uncertainty in tax positions. This interpretation requires that an entity recognizes in the unaudited condensed consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expense in the unaudited consolidated statements of operations and comprehensive losses. The Company evaluates the level of authority for each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2019 and September 30, 2019, the Company did not have any unrecognized tax benefits. The Company does not anticipate any significant increase to its liability for unrecognized tax benefit within the next 12 months.

As of December 31, 2019, the tax years ended December 31, 2011 through December 31, 2018 for the Company’s PRC entities remain open for statutory examination by the PRC tax authorities.

Foreign currency transactions and translation

The reporting currency of the Company is United States Dollars (the “USD”) and the functional currency of Moxian Beijing is Renminbi (the “RMB”) as China is the primary economic environment in which they operate. The functional currency of Moxian HK is the Hong Kong Dollar (the “HKD”).

MOXIAN, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**2. Summary of principal accounting policies (Continued)**

Foreign currency transactions and translation (continued)

For financial reporting purposes, the financial statements of Moxian Beijing and Moxian HK, which are prepared using their respective functional currencies, are translated into the reporting currency, USD, so to be consolidated with the Company's. Monetary assets and liabilities denominated in currencies other than the reporting currency are translated into the reporting currency at the rates of exchange ruling at the balance sheet date. Revenues and expenses are translated using average rates prevailing during the reporting period. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income (loss) in stockholders' equity (deficiency). Transaction gains and losses are recognized in the unaudited consolidated condensed statements of operations and comprehensive loss.

The exchange rates applied are as follows:

<u>Balance sheet items, except for equity accounts</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
RMB:USD	6.9633	7.1484
HKD:USD	7.7886	7.8391

Items in the unaudited condensed consolidated statements of operations and comprehensive loss, and unaudited condensed consolidated statements of cash flows

	<u>Three Months Ended</u>	
	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
RMB:USD	7.0427	6.9165
HKD:USD	7.8249	7.7503

Research and Development

Research and development expenses include payroll, employee benefits, stock-based compensation expense, and other related expenses associated with product development. Research and development expenses also include third-party development, programming costs, and localization costs incurred to translate software for local markets. Such costs related to software development are included in research and development expense until the point that technological feasibility is reached. Once technological feasibility is reached, such costs are capitalized and amortized as part of the cost of revenue over the estimated lives of the product.

## 2. Summary of principal accounting policies (Continued)

### Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” (“ASU 2014-09”). ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 - Revenue Recognition (“ASC 605”) and most industry-specific guidance throughout ASC 605. The FASB has issued numerous updates that provide clarification on a number of specific issues as well as requiring additional disclosures. The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The guidance may be adopted through either retrospective application to all periods presented in the financial statements (full retrospective approach) or through a cumulative effect adjustment to retained earnings at the effective date (modified retrospective approach). The guidance was revised in July 2015 to be effective for private companies and emerging growth public companies for annual and interim periods beginning on or after December 15, 2018. These new standards became effective for AESE on January 1, 2019 and were adopted using the modified retrospective method. The adoption of ASC Topic 606 did not have a material impact on our consolidated financial statements as of the date of adoption, and therefore a cumulative-effect adjustment was not required.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842).” ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This amendment will be effective for private companies and emerging growth companies for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The FASB issued ASU No. 2018-10 “Codification Improvements to Topic 842, Leases” and ASU No. 2018-11 “Leases (Topic 842) Targeted Improvements” in July 2018, and ASU No. 2018-20 “Leases (Topic 842) - Narrow Scope Improvements for Lessors” in December 2018. ASU 2018-10 and ASU 2018-20 provide certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 allows all entities adopting ASU 2016-02 to choose an additional (and optional) transition method of adoption, under which an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13 “Financial Instruments - Credit Losses (Topic 326)” and also issued subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04 and ASU 2019-05 (collectively Topic 326). Topic 326 requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. This replaces the existing incurred loss model with an expected loss model and requires the use of forward-looking information to calculate credit loss estimates. We will be required to adopt the provisions of this ASU effective on January 1, 2023, with early adoption permitted for certain amendments. Topic 326 must be adopted by applying a cumulative effect adjustment to retained earnings. The adoption of Topic 326 is not expected to have a material impact on our consolidated financial statements or disclosures.

In August 2016, the FASB issued Accounting Standards Update (“ASU”) ASU 2016-15, “Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”). The new standard will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard for private companies and emerging growth public companies is effective for fiscal years beginning after December 15, 2018. We adopted this new standard on January 1, 2019. The adoption of ASU 2016-15 did not have a material impact on our consolidated financial statements or disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new guidance simplifies the accounting for goodwill impairment by eliminating Step 2 of the goodwill impairment test. Under current guidance, Step 2 of the goodwill impairment test requires entities to calculate the implied fair value of goodwill in the same manner as the amount of goodwill recognized in a business combination by assigning the fair value of a reporting unit to all of the assets and liabilities of the reporting unit. The carrying value in excess of the implied fair value is recognized as goodwill impairment. Under the new standard, goodwill impairment is recognized based on Step 1 of the current guidance, which calculates the carrying value in excess of the reporting unit’s fair value. The new standard is effective beginning in January 2020, with early adoption permitted. We do not expect the impact of adopting this guidance to be material to our consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-09, “Codification Improvements” (“ASU 2018-09”). These amendments provide clarifications and corrections to certain ASC subtopics including the following: Income Statement - Reporting Comprehensive Income – Overall (Topic 220-10), Debt - Modifications and Extinguishments (Topic 470-50), Distinguishing Liabilities from Equity – Overall (Topic 480-10), Compensation - Stock Compensation - Income Taxes (Topic 718-740), Business Combinations - Income Taxes (Topic 805-740), Derivatives and Hedging – Overall (Topic 815-10), and Fair Value Measurement – Overall (Topic 820-10). The majority of the amendments in ASU 2018-09 will be effective in annual periods beginning after December 15, 2019. The adoption of ASU 2018-09 is not expected to have a material impact on our consolidated financial statements or disclosures.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”). The amendments in ASU 2018-13 modify the disclosure requirements associated with fair value measurements based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The amendments are effective for all entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2018-13 it not expected to have a material impact our consolidated financial statements.

In March 2019, the FASB issued ASU 2019-02, which aligns the accounting for production costs of episodic television series with the accounting for production costs of films. In addition, ASU 2019-02 modifies certain aspects of the capitalization, impairment, presentation and disclosure requirements in Accounting Standards Codification (“ASC”) 926-20 and the impairment, presentation and disclosure requirements in ASC 920-350. This ASU must be adopted on a prospective basis and is effective for annual periods beginning after December 15, 2020, including interim periods within those years, with early adoption permitted. We are currently evaluating the impact that this pronouncement will have on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Income Taxes – Simplifying the Accounting for Income Taxes. The new guidance simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce complexity in certain areas, such as requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. We are currently assessing the impact that adopting this guidance will have on our consolidated financial statements.

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**3. Prepayments, deposits and other receivables, net**

	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Prepayments to suppliers	\$ 567,934	\$ 567,934
Rental and other deposits	341,674	341,674
Employee advances and others	32,240	32,240
Sub total	941,848	941,848
Less: allowance for doubtful accounts	(941,848)	(941,848)
Prepayments, deposits and other receivables, net	\$ -	\$ -
Other Receivable – Share Subscription Proceeds	1,321,756	2,100,000

On September 30, 2019, the Company issued 2,000,000 new shares of common stock of \$0.001 at a price of \$1.25 per share to Joyful Corporation Limited, of which \$400,000 had been paid at the signing of this Share Subscription Agreement. See also Note 9 on Subsequent Events.

**4. Property and equipment, net**

	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Electronic equipment	\$ 2,319,545	\$ 2,319,545
Furniture and fixtures	70,596	70,596
Leasehold improvements	263,609	263,609
Total property and equipment	2,653,750	2,653,750
Less: Accumulated depreciation and amortization	(2,653,750)	(2,653,750)
Total property and equipment, net	\$ -	\$ -

**5. Intangible assets**

	<u>December 31, 2019</u>	<u>September 30, 2019</u>
IP rights	\$ 1,410,335	\$ 1,410,335
Other intangible assets	394,883	394,883
	1,805,218	\$ 1,805,218
Less: accumulated amortization	(1,805,218)	(1,805,218)
Net intangible assets	\$ -	\$ -

Due to continuing losses from operations, the Company impaired the remaining intangible assets in 2017, hence there were no amortization expenses for the ensuing periods.

During the quarter ended December 31, 2019, the Company outsourced the procurement of 2019 software for a mobile game to a company incorporated in Zhuhai and made payments for research and development under the agreement, totaling \$502,635. The development of this mobile game is still in progress and should be completed in the second half of the fiscal year 2020.



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**6. Accruals and other payables**

	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Salaries payable	\$ 29,000	\$ 40,510
Agency fees	-	391,700
Directors' fees	28,500	258,000
Accrued expenses	171,964	189,932
Other payables and provisions	865,122	999,510
	<u>\$ 1,094,586</u>	<u>\$ 1,879,652</u>

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**7. Loans**

As of December 31, 2019, the Company had an outstanding loan from a third party, Tang Junsheng of \$301,581.

**8. Income taxes**

The Company and its subsidiaries file separate income tax returns.

*The United States of America*

Moxian is incorporated in the State of Nevada in the U.S. and is subject to U.S. federal corporate income taxes. The State of Nevada does not impose any state corporate income tax. As of December 31, 2019, future net operation losses of approximately \$8.9 million are available to offset future operating income through 2036.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a U.S. corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. As the Company has a September 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 24.5% for our fiscal year ending September 30, 2018, and 21% for subsequent fiscal years. Accordingly, we have to remeasure our deferred tax assets on net operating loss carryforward in the U.S. at the lower enacted cooperated tax rate of 21%. However, this remeasurement has no effect on the Company's income tax expenses as the Company has provided a 100% valuation allowance on its deferred tax assets previously.

Additionally, the 2017 Tax Act imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries, and future foreign earnings are subject to U.S. taxation. The change in rate has caused us to remeasure all U.S. deferred income tax assets and liabilities for temporary differences and NOL carryforwards and recorded one-time income tax payable to be paid in 8 years. However, this one-time transition tax has no effect on the Company's income tax expenses as the Company has no undistributed foreign earnings prior to December 31, 2017, as the Company has cumulative foreign losses as of December 31, 2019.

*British Virgin Islands*

Moxian BVI is incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, Moxian BVI is not subject to tax on income or capital gains. In addition, upon payments of dividends by Moxian BVI, no British Virgin Islands withholding tax is imposed.

*Hong Kong*

Moxian HK is incorporated in Hong Kong and Hong Kong's profits tax rate is 16.5%. Moxian HK did not earn any income that was derived in Hong Kong for the years ended December 31, 2019 and 2018 and therefore, Moxian HK was not subject to Hong Kong profits tax.

*Malaysia*

Moxian Malaysia did not have taxable income for the years ended December 31, 2019 and 2018. The management estimated that Moxian Malaysia will not generate any taxable income in the future.

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**8. Income taxes (continued)**

*PRC*

Effective from January 1, 2008, the PRC's statutory income tax rate is 25%. The Company's PRC subsidiaries are subject to income tax rate of 25%, unless otherwise specified.

As of September 30, 2018, the Company had net operating loss carry forwards of approximately of \$20.2 million in the PRC tax jurisdiction, which expires in the years 2018 through 2022.

Moxian Shenzhen was incorporated in the People's Republic of China. Moxian Shenzhen did not generate taxable income in the People's Republic of China for the period from April 8, 2013 (date of inception) to September 30, 2018. Management estimated that Moxian Shenzhen will not generate any taxable income in the future.

Moyi was incorporated in the People's Republic of China. Moyi did not generate taxable income in the People's Republic of China for the period from July 19, 2013 (date of inception) to December 31, 2018.

Moxian Beijing was incorporated in the People's Republic of China. Moxian Beijing did not generate taxable income in the People's Republic of China for the period from December 10, 2015 (date of inception) to December 31, 2018.

The Company's effective income tax rates were 0% for the three months ended December 31, 2019 and 2018. Income tax mainly consists of foreign income tax at statutory rates and the effects of permanent and temporary differences.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
U.S. statutory rate	34.0%	34.0 %
Foreign income not registered in the U.S.	(34.0)%	(34.0)%
PRC statutory rate	25.0%	25.0 %
Changes in valuation allowance and others	(25.0)%	(25.0)%
Effective tax rate	<u>0%</u>	<u>0 %</u>

Because of the uncertainty regarding the Company's ability to realize its deferred tax assets, a 100% valuation allowance has been established as of December 31, 2019 and September 30, 2019, respectively.

As of December 31, 2019 and September 30, 2019, the valuation allowance was approximately \$9.0 million. For the three months ended December 31, 2019 and 2018, there were no increase in the valuation allowance.

	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Deferred tax asset from net operating loss and carry-forwards	\$ 9,032,129	\$ 9,032,129
Valuation allowance	(9,032,129)	(9,032,129)
Deferred tax asset, net	<u>\$ -</u>	<u>\$ -</u>

MOXIAN, INC.  
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**9. Commitments and contingencies**

*Operating Lease*

The Company currently leases its office premises for RMB150,000 (approximately equivalent to \$21,000) per month, inclusive of management fees on a tenancy agreement which will expire in November 2020, if not terminated earlier by mutual consent.

*Arrangement with Xinhua New Media Co., Ltd*

In 2015, the Company signed a 5- year agreement with Xinhua New Media Co. Ltd. pursuant to which the Company had exclusive right to operate the Games Channel of the Xinhua app and act as a general agent for all digital advertising on the mobile application. This agreement expires in December 2020.

*Legal Proceeding*

As of December 31, 2019, the Company is not aware of any material outstanding claim and litigation against them.

**10. Subsequent events**

The Company has been in continued discussions with Joyful Corporation Limited over the balance of the proceeds from the issue of the 2 million new shares at the end of September, 2019. As at the date of this Report, a further RMB 5 million (equivalent to approximately \$710,000) has been received by Joyful and Joyful has agreed that the remaining balance will be settled by May 31, 2020.

On February 20, 2020, the Company received a letter from the Nasdaq Stock Market (“Nasdaq”) notifying the Company that it had violated Nasdaq Listing Rule 5250(c)(1) because the Company had not yet filed its Quarterly Report on Form 10-Q for the period ended December 31, 2019. As previously disclosed, the Form 10-Q could not be filed by its February 17, 2020 deadline without unreasonable effort and expenses because the Company’s personnel have been unable to return to work due to travel restrictions and related complications arising from the COVID-19 coronavirus.

As of the date of this Report, the COVID-19 outbreak in China, which originated in Wuhan in December 2019, is substantially under control. Travel restrictions remain in place for in-bound traffic and there are quarantine measures at various ports of entry as the economy slowly re-opens. The Company has not had to retrench any staff and resumed normal operations, which beginning in January were materially disrupted, on April 1, 2020.

On March 20, 2020, the Company received a notice from Nasdaq notifying the Company that for the last 30 consecutive business days prior to the date of the Notice, the market value of the Company’s listed securities was less than \$35 million, which does not meet the requirement for continued listing on The Nasdaq Capital Market, as required by the Market Value Rule. In accordance with Nasdaq Listing Rule 5810(c)(3)(C), Nasdaq has provided the Company with 180 calendar days, or until September 16, 2020, to regain compliance with the Market Value Rule. If the Company regains compliance with the Market Value Rule, Nasdaq will provide written confirmation to the Company and close the matter. If the Company does not regain compliance with this requirement by September 16, 2020, the Company will receive written notification from the Staff that its securities are subject to delisting. At that time, the Company may appeal the delisting determination to a Hearing Panel.

## ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes to those financial statements appearing elsewhere in this Report.

Certain statements in this Report constitute forward-looking statements. These forward-looking statements include statements, which involve risks and uncertainties, regarding, among other things, (a) our projected sales, profitability, and cash flows, (b) our growth strategy, (c) anticipated trends in our industry, (d) our future financing plans, and (e) our anticipated needs for, and use of, working capital. They are generally identifiable by use of the words “may,” “will,” “should,” “anticipate,” “estimate,” “plan,” “potential,” “project,” “continuing,” “ongoing,” “expects,” “management believes,” “we believe,” “we intend,” or the negative of these words or other variations on these words or comparable terminology. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. You should not place undue reliance on these forward-looking statements.

The forward-looking statements speak only as of the date on which they are made, and, except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

The “Company,” “we,” “us,” “our” or “Moxian” are references to the combined business of

- (i) Moxian, Inc., a company incorporated under the laws of Nevada;
- (ii) Moxian CN Group Limited, a company incorporated under the laws of Independent State of Samoa (“Moxian CN Samoa”),
- (iii) Moxian Intellectual Property Limited, a company incorporated under the laws of Independent State of Samoa (“Moxian IP Samoa”);
- (iv) Moxian Group Limited, a company incorporated under the laws of British Virgin Islands (“Moxian BVI”),
- (v) Moxian (Hong Kong) Limited, a limited liability company incorporated under the laws of Hong Kong (“Moxian HK”),
- (vi) Moxian Technologies (Shenzhen) Co., Ltd., a company incorporated under the laws of People’s Republic of China (“Moxian Shenzhen”),
- (vii) Moxian Malaysia Sdn.Bhd. (“Moxian Malaysia”), a company incorporated under the laws of Malaysia (“Moxian Malaysia”),
- (viii) Moxian Technologies (Beijing) Co., Ltd., a company incorporated under the laws of People’s Republic of China (“Moxian Beijing”) and
- (ix) Moxian Technologies (Shanghai) Co. Ltd., a company incorporated under the laws of the Peoples’ Republic of China (“Moxian Shanghai”) and
- (x) Shenzhen Moyi Technologies Co. Ltd., a contractually controlled affiliate of Moxian Shenzhen formed under the laws of People’s Republic of China (“Moyi”).

### Overview

We have been in the O2O (“Online-to-Offline”) business since the inception of the Company until the fiscal year ended September 30, 2018. We developed an online platform for small and medium sized enterprises (“SMEs”) with physical stores to conduct business online, interact with existing customers and obtain new customers. We developed products and services are designed to allow our clients to conduct targeted advertising campaigns and promotions and attract potential customers.

However, due to a highly competitive market, and the slow development of our products, we have continued to incur losses in every fiscal year since inception. By September 30, 2018, we had run out of funds and the shareholders of the Company were not prepared to give further financial support. The Company decided to continue its operations in digital advertising but temporarily halt the operation of its App until its financial situation improved. The Company has since operated as a general agent for the Xinhua App, of which the Company had exclusive agreements to operate the Games Channel on its app. This business requires less manpower and funding levels. The Company currently employs 11 individuals, of which 3 are in marketing and business development and the rest in administration and finance.

### Going Concern

In assessing the Company's liquidity and its ability to continue as a going concern, the Company monitors and analyzes its cash and cash equivalents and its operating and capital expenditure commitments. The Company's liquidity needs are to meet its working capital requirements, operating expenses and capital expenditure obligations.

If the Company is unable to obtain the necessary additional capital on a timely basis and on acceptable terms, it will be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures. Any of these factors would have a material adverse effect on its business, prospects, financial condition and results of operations and raise substantial doubts about the ability of the Company to continue as a going concern. The consolidated financial statements for the periods ended December 31, 2019 and 2018 have been prepared on a going concern basis and do not include any adjustments to reflect the possible future effects on the recoverability and classifications of assets or the amounts and classifications of liabilities that may result from the inability of the Company to continue as a going concern.

***For the three months ended December 31, 2019 compared with the three months ended December 31, 2018***

The two periods under consideration are not strictly comparable. A comparison will both be misleading and not meaningful because the Company ceased operations of its App as of September 30, 2018 but remained as a general advertising agent for the Xinhua App and derived fees from services provided to a major client, Beijing Bi Er Esports Culture & Media Co. Ltd. The Company maintained a minimum of in-house staff and outsourced specialist services where required. Of the group companies, only Moxian Beijing was in operation whilst the Hong Kong company provided treasuring and corporate support. The other companies in the group were dormant during this period. In order to diversify its future revenue sources, the Company contracted a gaming software specialist to produce an online game for mobile platforms by June 2020.

In the quarter ended December 31, 2018, the Company was preoccupied with discussions with a major shareholder on ending the collaborative arrangement with her company, Shanghai Shewn Wine Company Limited (“Shanghai Shewn”) because she was not willing to further give financial support to the Company. There was no major operational activity except for the collection of tail-end fees from earlier periods.

## Critical Accounting Policies and Estimates

### **Use of estimates**

The preparation of the unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates required to be made by management include but not limited to, useful lives of property and equipment, intangible assets valuation, inventory valuation and deferred tax assets. Actual results could differ from those estimates.

### **Recently Issued Accounting Pronouncements**

Reference is made to the “Recent Accounting Pronouncements” in Note 2 to the Unaudited Condensed Consolidated Financial Statements included in this Report for information related to new accounting pronouncements, as well as the related impact of those recent accounting pronouncements.

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

As of December 31, 2019, we did not have any off-balance sheet arrangements.



### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined by Rule 229.10(f)(1).

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

As of December 31, 2019, the Company carried out an evaluation, under the supervision of and with the participation of management, including our Company’s chief executive officer, of the effectiveness of the design and operation of our Company’s disclosure controls and procedures under the 2013 COSO framework. Based on the foregoing, the chief executive officer concluded that our Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were ineffective in timely alerting management to information required to be included in the Company’s periodic filings to the Securities and Exchange Commission filings.

Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2019, the Company’s disclosure controls and procedures were ineffective due to the Company’s lacks of formal documented controls and procedures applicable to all officers and directors to disclose the required information under the Exchange Act.

#### Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act. It is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers and effected by the company’s board of directors, management and other personnel. The objective is to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by the internal controls over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

As of December 31, 2019, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in by the Committee of Sponsoring Organizations of the Treadway Commission's 2013 Internal Control Integrated Framework and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules. This was primarily due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls. These deficiencies may be considered to be material weaknesses.

#### Identified Material Weakness

A material weakness in internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management identified the following material weaknesses during its assessment of internal controls over financial reporting as of December 31, 2019:

- (1) A lack of understanding of the requirements of NASDAQ, made worse by a poor command of the English language at the senior levels of management.
- (2) Lack of timely communication between the CEO and the Board of Directors.
- (3) There are no written policies and procedures covering such operational activities such as sales and procurement due to a lack of staff stability, especially at senior management levels.
- (4) Chinese accounting practices require standard official invoices to be issued and paid before they can be recognized in the accounting records leading to cut-off issues at every period end, so special procedures have to be adopted to ensure proper accounting.

As a result of the material weaknesses described above, management has concluded that the Company did not maintain effective internal control over financial reporting as of September 30, 2019 based on criteria established in Internal Control—Integrated Framework issued by COSO (2013 framework). However, management does not believe that any of our annual or interim financial statements issued to date contain a material misstatement as a result of the aforementioned weaknesses in our internal control over financial reporting.

#### Management's Remediation Initiatives

To mediate the identified material weaknesses and other deficiencies, we have introduced the following measures:

- (1) Ensure that the Audit Committee meets regularly and review all related party transactions to ensure that they are in the best interest of the Company.
- (2) Hold quarterly board meetings with telephone participation by those directors unable to attend in person.
- (3) Strengthen the Board with members with corporate experience and fluent in English.
- (4) Design and monitor controls over financial reporting, including the introduction of a proper checklist of cut-off procedures to ensure proper accounting of accruals and payables.
- (5) Continue to provide training to financial staff on U.S. GAAP and educate management staff and directors on NASDAQ Listing Rules and SEC Reporting Requirements.

#### Changes in internal controls over financial reporting

There have been no changes in our internal controls over financial reporting that occurred during the period covered by this Report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

None.

### **ITEM 1A. RISK FACTORS.**

*We face risks related to Novel Coronavirus (COVID-19) which could significantly disrupt our operations, sales and financial results.*

Our business will be adversely impacted by the effects of the Novel Coronavirus (COVID-19). In addition to global macroeconomic effects, the Novel Coronavirus (COVID-19) outbreak and any other related adverse public health developments will cause disruption to our operations and business activities.

As of the date of this Report, the COVID-19 outbreak in China that began in December 2019 is substantially under control. From January 2020, worker absenteeism, quarantines and restrictions on our employees' ability to work, office closures, and other travel or health-related restrictions in China caused material disruptions in our operations. Travel restrictions remain in place, and there are quarantine measures at various ports of entry as the Chinese economy slowly reopens. Economic activity is expected to be sluggish and our operations are likely to continue to be adversely affected by this lower level of economic activity. However, we have not yet been forced to reduce staffing levels. And we resumed normal operating hours beginning April 1, 2020. We cannot be certain that we will be able to continue normal operations in the short or long term or that lingering effects of the COVID-19 outbreak in China and elsewhere will not have additional adverse effects on our business and operations.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

(a) None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **ITEM 5. OTHER INFORMATION.**

None.

**ITEM 6. EXHIBITS.**

- 31.1 [Rule 13\(a\)-14\(a\)/15\(d\)-14\(a\) Certification of principal executive officer](#)
- 31.2 [Rule 13\(a\)-14\(a\)/15\(d\)-14\(a\) Certification of principal financial officer](#)
- 32.1 [Section 1350 Certification of principal executive officer](#)
- 32.2 [Section 1350 Certification of principal financial officer](#)
- 101 XBRL data files of Financial Statements and Notes contained in this Quarterly Report on Form 10-Q.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Moxian, Inc.**

Date: April 20, 2020

By: /s/ Hao Qinghu

Name: Hao Qinghu

Title: Chief Executive Officer  
(Principal Executive Officer)

**Moxian, Inc.**

Date: April 20, 2020

By: /s/ Tan Wanhong

Name: Tan Wanhong

Title: Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 31.1**

**Certification of Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  
and Securities and Exchange Commission Release 34-46427**

I, Hao Qinghu, certify that:

(1) I have reviewed this Form 10-Q of Moxian, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2020

*/s/ Hao Qinghu*

Hao Qinghu

Chief Executive Officer (Principal Executive Officer)

**Exhibit 31.2**

**Certification of Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002  
and Securities and Exchange Commission Release 34-46427**

I, Tan Wanhong, certify that:

(1) I have reviewed this Form 10-Q of Moxian, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2020

*/s/ Tan Wanhong*

Tan Wanhong

Chief Financial Officer (Principal Financial Officer)

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**Exhibit 32.1**

**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 this Form 10-Q report of Moxian, Inc. for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof and pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Hao Qing Hu, certify that:

(1) This report containing the financial statements 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 this period report fairly presents, in all material respects, the financial condition and results of operations of Moxian, Inc.

Date: April 20, 2020

*/s/ Hao Qinghu*

Hao Qinghu

Chief Executive Officer (Principal Executive Officer)

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**Exhibit 32.2**

**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 this Form 10-Q report of Moxian, Inc. for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof and pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Tan Wan Hong, certify that:

(1) This report containing the financial statements 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 this period report fairly presents, in all material respects, the financial condition and results of operations of Moxian, Inc.

Date: April 20, 2020

*/s/ Tan Wanhong*

Tan Wanhong

Chief Financial Officer (Principal Financial Officer)

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