

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2023

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NO.: 001-41434

**NOCERA, INC.**

(Exact name of registrant as specified in charter)

**Nevada**

(State or other jurisdiction of incorporation)

**16-1626611**

(IRS Employer Identification No.)

**3F (Building B), No. 185, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 221, Taiwan (R.O.C.)**

(Address of principal executive offices and zip code)

**(886)-910-163-358**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	NCRA	The Nasdaq Stock Market LLC

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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "small reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☒

Accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☒

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

There were 10,019,295 shares outstanding of the registrant's common stock, par value \$0.001 per share, as of August 21, 2023.

**TABLE OF CONTENTS**

<a href="#">Cautionary Statement Regarding Forward-Looking Statements</a>	3
<b>PART I</b>	
<b><a href="#">FINANCIAL INFORMATION</a></b>	4
ITEM 1.	
<a href="#">INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</a>	4
<a href="#">INTERIM UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS</a>	4
<a href="#">INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS</a>	5
<a href="#">INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</a>	6
<a href="#">INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY</a>	7
<a href="#">NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)</a>	8
ITEM 2.	
<a href="#">MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	23
ITEM 3.	
<a href="#">QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	38
ITEM 4.	
<a href="#">CONTROLS AND PROCEDURES</a>	38

<b>PART II</b>	<b><u>OTHER INFORMATION</u></b>	40
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	40
ITEM 1A.	<u>RISK FACTORS</u>	40
ITEM 2	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	40
ITEM 3	<u>DEFAULTS UPON SENIOR SECURITIES</u>	40
ITEM 4	<u>MINE SAFETY DISCLOSURES</u>	40
ITEM 5	<u>OTHER INFORMATION</u>	40
ITEM 6	<u>EXHIBITS</u>	41
 <u>SIGNATURES</u>		42

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential” and “continue” or the negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees of future performance. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements. **You are cautioned to not place undue reliance on these forward-looking statements, which speak only as of their dates.**

We cannot predict all the risks and uncertainties that may impact our business, financial condition or results of operations. Accordingly, the forward-looking statements in this Quarterly Report on Form 10-Q should not be regarded as representations that the results or conditions described in such statements will occur or that our objectives and plans will be achieved, and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Quarterly Report on Form 10-Q and include information concerning possible or projected future results of our operations, including statements about potential acquisition or merger targets, strategies or plans; business strategies; prospects; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results; and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to a variety of factors and risks, including, but not limited to, those set forth under “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2022 initially filed with the Securities and Exchange Commission (“SEC”) on March 31, 2023.

Many of those risks and factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. Considering these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. All subsequent written and oral forward-looking statements concerning other matters addressed in this Quarterly Report on Form 10-Q and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Quarterly Report on Form 10-Q.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

## PART I FINANCIAL INFORMATION

### ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

#### NOCERA, INC. INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (Stated in US Dollars except for Number of Shares)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,116,183	\$ 2,906,074
Accounts receivable, net	201,069	209,777
Inventories, net	86,282	91,781
Advance to suppliers	1,732	1,732
Prepaid expenses and other assets, net	7,923	27,470
Financial assets at fair value through profit or loss	203,199	—
Total current assets	1,616,388	3,236,834
Deferred tax assets, net	22,426	22,703
Property and equipment, net	1,625,608	844,613
Intangible assets - customer relations	122,281	130,434

Goodwill	3,905,735	3,905,735
Other non-current asset	4,664	—
<b>Total assets</b>	<b>7,297,102</b>	<b>8,140,319</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable	—	2,631
Other payables and accrued liabilities	32,290	38,388
Advance receipts	388	42,880
Due to related parties	17,295	18,919
Warrant liability	1,179,768	1,179,768
Long-term secured other borrowing – current portion	169,434	214,913
Dividend payable	22,312	22,312
Income tax payable	1,818	1,920
<b>Total current liabilities</b>	<b>1,423,305</b>	<b>1,521,731</b>
Deferred tax liabilities, net	—	—
Long-term secured other borrowing	394,404	436,341
<b>Total liabilities</b>	<b>1,817,709</b>	<b>1,958,072</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		
Common stock (\$0.001 par value; authorized 200,000,000 shares; 9,693,587 shares and 9,243,587 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively)	9,693	9,243
Preferred stock (\$0.001 par value; authorized 10,000,000 shares; Series A Preferred Stock, 2,000,000 authorized, 80,000 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively)	80	80
Additional paid-in capital	21,138,123	20,484,518
Statutory and other reserves	191,219	191,219
(Accumulated losses) retained earnings	(16,046,483)	(14,747,461)
Accumulated other comprehensive loss	84,000	103,594
<b>Total stockholders' equity</b>	<b>5,376,632</b>	<b>6,041,193</b>
Non-controlling interests	102,761	141,054
<b>Total equity</b>	<b>5,479,393</b>	<b>6,182,247</b>
<b>Total liabilities and equity</b>	<b>\$ 7,297,102</b>	<b>\$ 8,140,319</b>

See notes to the condensed consolidated financial statements which are an integral part of these unaudited condensed financial statements.

**NOCERA, INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Stated in US Dollars except for Number of Shares)  
**(UNAUDITED)**

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net sales	5,327,181	2,184,613	9,165,044	5,103,658
Cost of sales	(5,289,946)	(2,131,064)	(9,059,153)	(4,994,867)
<b>Gross profit</b>	<b>37,235</b>	<b>53,549</b>	<b>105,891</b>	<b>108,791</b>
<b>Operating expenses</b>				
General and administrative expenses	(368,667)	(437,364)	(1,428,004)	(1,298,317)
<b>Total operating expenses</b>	<b>(368,667)</b>	<b>(437,364)</b>	<b>(1,428,004)</b>	<b>(1,298,317)</b>
<b>Loss from operations</b>	<b>(331,432)</b>	<b>(383,815)</b>	<b>(1,322,113)</b>	<b>(1,189,526)</b>
Other income (expense)	(880)	1,999	(12,388)	1,999
<b>Loss before income taxes</b>	<b>(332,312)</b>	<b>(381,816)</b>	<b>(1,334,501)</b>	<b>(1,187,527)</b>
Income tax expense	—	(2,161)	—	(2,170)
<b>Net loss</b>	<b>(332,312)</b>	<b>(383,977)</b>	<b>(1,334,501)</b>	<b>(1,189,697)</b>
Less: Net loss attributable to non-controlling interests	(20,938)	—	(35,479)	—
<b>Net loss attributable to the company</b>	<b>(311,374)</b>	<b>(383,977)</b>	<b>(1,299,022)</b>	<b>(1,189,697)</b>
<b>Comprehensive (loss) income</b>				
Net loss	(332,312)	(383,977)	(1,334,501)	(1,189,697)
Foreign currency translation gain (loss)	42,882	148,457	19,594	19,226
<b>Total comprehensive loss</b>	<b>(289,430)</b>	<b>(235,520)</b>	<b>(1,314,907)</b>	<b>(1,170,471)</b>
Less: comprehensive loss attributable to non-controlling interest	(8,533)	—	(23,413)	—
<b>Comprehensive loss attributable to the Company</b>	<b>(280,897)</b>	<b>(235,520)</b>	<b>(1,291,494)</b>	<b>(1,170,471)</b>
<b>Loss per share</b>				

Basic	(0.0321)	(0.1129)	(0.1368)	(0.1669)
Diluted	(0.0321)	(0.1129)	(0.1368)	(0.1669)
<b>Weighted average number of common shares outstanding</b>				
Basic	9,693,587	7,138,587	9,494,692	7,128,642
Diluted	9,693,587	7,138,587	9,494,692	7,128,642

See notes to the condensed consolidated financial statements which are an integral part of these unaudited condensed financial statements.

**NOCERA, INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Stated in US Dollars except for Number of Shares)  
**(UNAUDITED)**

	Six months ended June 30, 2023	2022
	\$	\$
Cash flows from operating activities:		
Net loss	(1,334,501)	(1,189,697)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expenses	81,608	1,241
Amortization of intangible assets	8,152	—
Gain on fair value change of financial assets at FVTPL	(3,199)	—
Consultancy services settled by equities	521,100	503,000
Share-based compensation	132,955	206,476
Changes in operating assets and liabilities:		
Accounts receivable, net	4,273	188,761
Inventories	1,343	853,902
Advance to suppliers	—	27,085
Prepaid expenses and other assets, net	(2,054)	239,331
Goodwill	—	—
Other non-current assets	(4,865)	46,613
Notes payable	—	(81,062)
Accounts payable	(2,631)	(31,405)
Advance receipts	(42,492)	(581,885)
Other payables and accrued liabilities	(9,387)	(119,920)
Income tax payable	(190)	(356,181)
Amount due from a related party	—	(348,107)
Net cash used in operating activities	(649,888)	(641,848)
Cash flows from investing activities:		
Purchase of property and equipment	(857,870)	—
Purchase of financial assets at FVTPL	(200,000)	—
Net cash used in investing activities	(1,057,870)	—
Cash flows from financing activities:		
Other borrowing	(81,034)	(26,845)
Net cash used in financing activities	(81,034)	(26,845)
Effect of exchange rate changes on cash and cash equivalents	(1,100)	(175,220)
Net decrease in cash and cash equivalents	(1,789,891)	(843,913)
Cash and cash equivalents at beginning of period	2,906,074	2,444,009
Cash and cash equivalents at end of period	1,116,183	1,600,096
Supplemental disclosures of cash flow information		
Cash paid for interest expenses	—	—
Cash paid for Income taxes	—	—

See notes to the condensed consolidated financial statements which are an integral part of these unaudited condensed financial statements.

**NOCERA, INC.**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(Stated in US Dollars except Number of Shares)  
**(UNAUDITED)**

	Common Stock		Preferred stock		Additional	Statutory	Retained	Accumulated	Total	Non-	Total
	Stock	Amount	Stock	Amount	Paid-in	and other	Earnings	Other	Nocera Inc.'s	controlling	Stockholders'
		\$		\$	Capital	Reserves		Compre-	Equity	Interests	Equity
								hensive	(Deficit)		(Deficit)
		\$		\$	\$	\$	\$	Loss	\$	\$	\$
Balance, January 1, 2022	7,071,920	7,072	80,000	80	14,476,240	191,219	(9,918,553)	13,906	4,769,964	–	4,769,964
Consultancy services settled by equities	66,667	66	–	–	502,934	–	–	–	503,000	–	503,000
Foreign currency translation adjustments	–	–	–	–	–	–	–	129,231	129,231	–	129,231
Share-based compensation	–	–	–	–	103,155	–	–	–	103,155	–	103,155
Net loss	–	–	–	–	–	–	(805,720)	–	(805,720)	–	(805,720)
Balance, March 31, 2022	7,138,587	7,138	80,000	80	15,082,329	191,219	(10,724,273)	143,137	4,699,630	–	4,699,630
Foreign currency translation adjustments	–	–	–	–	–	–	–	(148,457)	(148,457)	–	(148,457)
Share-based compensation	–	–	–	–	103,322	–	–	–	103,322	–	103,322
Net loss	–	–	–	–	–	–	(383,977)	–	(383,977)	–	(383,977)
Balance, June 30, 2022	7,138,587	7,138	80,000	80	15,185,651	191,219	(11,108,250)	(5,320)	4,270,518	–	4,270,518
Balance, January 1, 2023	9,243,587	9,243	80,000	80	20,484,518	191,219	(14,747,461)	103,594	6,041,193	141,054	6,182,247
Foreign currency translation Adjustments	–	–	–	–	–	–	–	23,627	23,627	(339)	23,288
Share-based compensation	–	–	–	–	103,155	–	–	–	103,155	–	103,155
Consultancy services settled by equities	450,000	450	–	–	520,650	–	–	–	521,100	–	521,100
Net loss	–	–	–	–	–	–	(987,648)	–	(987,648)	(14,541)	(1,002,189)
Balance, March 31, 2023	9,693,587	9,693	80,000	80	21,108,323	191,219	(15,735,109)	127,221	5,701,427	126,174	5,827,601
Foreign currency translation adjustments	–	–	–	–	–	–	–	(43,221)	(43,221)	(2,475)	(45,696)
Share-based compensation	–	–	–	–	29,800	–	–	–	29,800	–	29,800
Net loss	–	–	–	–	–	–	(311,374)	–	(311,374)	(20,938)	(332,312)
Balance, June 30, 2023	9,693,587	9,693	80,000	80	21,138,123	191,219	(16,046,483)	84,000	5,376,632	102,761	5,479,393

See notes to the condensed consolidated financial statements which are an integral part of these unaudited condensed financial statements.

**NOCERA, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 PRINCIPAL ACTIVITIES AND ORGANIZATION**

The consolidated financial statements include the financial statements of Nocera, Inc. ("Nocera" or the "Company") and its subsidiaries, Grand Smooth Inc. Limited ("GSI") and Guizhou Grand Smooth Technology Ltd. ("GZ GST" or "WFOE"), and Meixin Institutional Food Development Co., Ltd. ("Meixin") that is controlled through contractual arrangements. The Company, GSI, GZ GST and Meixin are collectively referred to as the "Company."

Nocera was incorporated in the State of Nevada on February 1, 2002 and is based in New Taipei City, Taiwan (R.O.C.). It did not engage in any operations and was dormant from its inception until its reverse merger with GSI on December 31, 2018.

**Reverse Merger**

Effective December 31, 2018, Nocera completed a reverse merger transaction (the "Transaction") pursuant to an Agreement and Plan of Merger (the "Agreement"), with (i) GSI, (ii) GSI's shareholders, Yin-Chieh Cheng and Bi Zhang, who together owned shares constituting 100% of the issued and outstanding ordinary shares of GSI (the "GSI Shares") and (iii) GSI Acquisition Corp. Under the terms of the Agreement, the GSI Shareholders transferred to Nocera all of the GSI Shares in exchange for the issuance of 10,000,000 shares (the "Shares") of Nocera's common stock (the "Share Exchange"). As a result of the reverse merger, GSI became Nocera's wholly-owned subsidiary and Yin-Chieh Cheng and Bi Zhang, the former shareholders of GSI, became Nocera's controlling shareholders. The share exchange transaction with GSI was treated as a reverse merger, with GSI as the accounting acquirer and Nocera as the acquired party.

GSI is a limited company established under the laws and regulations of Hong Kong on August 1, 2014, and is a holding company without any operations.

GZ WFH was incorporated in Xingyi City, Guizhou Province, People's Republic of China ("PRC") on October 25, 2017, and is engaged in providing fish farming containers service, which integrates sales, installments, and maintenance of aquaculture equipment. The registered capital of GZ WFH is RMB\$5,000,000 (equal to US\$733,138).

On November 13, 2018, GSI incorporated GZ GST in PRC with registered capital of US\$15,000.

#### Divestiture

On September 21, 2020, the Company filed a Current Report on Form 8-K outlining the lack of communication that led to the termination by Nocera of its relationship with its former variable interest entity, Guizhou Wan Feng Hu Intelligent Aquatic Technology Co. Limited ("GZ WFH") and its management, and termination of the variable interest entity agreements between the parties.

Subsequently on October 8, 2020, Zhang Bi and GZ WFH entered into a Settlement Agreement and Release with Nocera wherein all claims as to GZ WFH's debt (claim to shares in Nocera or GZ GST) were compromised, settled, and otherwise resolved as to any and all claims or causes of action whatsoever against Nocera for any matter, action, or representation as to Nocera, and any debt to ownership of Nocera or GZ GST up to the date of the agreement. The consideration for the agreement was mutual waiver of any and all claims against each other and GZ GST, and GZ WFH (including Zhang Bi) waived any claims to Nocera stock, meaning the 4,750,000 shares of common stock of Nocera owned by Zhang Bi were cancelled as part of the agreement. The Settlement Agreement and Release is attached hereto as Exhibit 10.8.

#### The VIE Agreements

On December 31, 2020, we exchanged 466,667 (post-split) shares of our restricted common stock to stockholders of Xin Feng Construction Co., Ltd., a Taiwan limited liability company ("XFC"), in exchange for 100% controlling interest in XFC. We also entered into contractual arrangements with a stockholder of XFC, that enabled us to have the power to direct the activities that most significantly affects the economic performance of XFC and receive the economic benefits of XFC that could be significant to XFC. On November 30, 2022, we entered into a Purchase of Business Agreement with Han-Chieh Shih (the "Purchaser"), in which we sold our controlling interest of XFC, to the Purchaser for a total purchase cash price of \$300,000 (the "XFC Sale"). The closing of the XFC Sale occurred on November 30, 2022 and the XFC variable interest entity ("VIE") agreements were terminated in connection with the XFC Sale.

#### The VIE Agreements with Meixin

On September 7, 2022, we entered into a series of contractual agreements (collectively, the "Meixin VIE Agreements") with the majority stockholder (the "Selling Stockholder") of Meixin Institutional Food Development Co., Ltd., a Taiwan corporation and a food processing and catering company ("Meixin"), and Meixin, of which we purchased 80% controlling interest of Meixin for \$4,300,000. The Meixin VIE Agreements essentially confer control and management of Meixin as well as substantially all of the economic benefits of the Selling Stockholder in Meixin to Nocera.

## **Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICY**

### ***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, these financial statements do not include all of the information and footnotes required for complete financial statements and should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 31, 2023.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of the Company's unaudited condensed consolidated financial position as of June 30, 2023, its consolidated results of operations for the six months ended June 30, 2023, cash flows for the six months ended June 30, 2023 and change in equity for the six months ended June 30, 2023, as applicable, have been made. Operating results for the six months ended June 30, 2023 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2021 or any future periods.

### ***Concentrations of Credit Risk***

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of accounts receivable. The Company conducts credit evaluations of its customers and suppliers and generally does not require collateral or other security from them. The Company evaluates its collection experience and long outstanding balances to determine the need for an allowance for doubtful accounts. The Company conducts periodic reviews of the financial condition and payment practices of its customers to minimize collection risk on accounts receivable.

There were four customers who represent 97% of the Company's total revenue for the six months ended June 30, 2022. There were five customers who represent 99% of the Company's total revenue for the six months ended June 30, 2023.

The following table sets forth a summary of single customers who represent 10% or more of the Company's total accounts receivable, net:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Percentage of the Company's accounts receivable		
Customer A	50.58%	50.83%
Customer B	16.33%	31.82%
Customer C	11.88%	14.73%
Customer D	20.18%	—
	98.96%	97.38%

## Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers."

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the Company applies the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company recognizes revenue when (or as) the Company satisfies performance obligations by transferring promised goods or services to its customers. Revenue is measured at the transaction price which is based on the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to its customers. Contracts with customers are comprised of invoices and written contracts.

The Company does not have arrangements for returns from customers. The Company has no sales incentive programs.

The Company provides goods, maintenance service warranties for the goods sold with a period varying from 18 months to 72 months, a majority of which are 18 months, and exclusive sales agency license to its customers. For performance obligation related to providing products, the Company expects to recognize the revenue according to the delivery of products. For performance obligation related to maintenance service warranties, the Company expects to recognize the revenue on a ratable basis using a time-based output method. The performance obligations are typically satisfied as services are rendered on a straight-line basis over the contract term, which is generally for 18 months as a majority of the maintenance service warranties periods provided are 18 months. For performance obligation related to exclusive agency licenses, the Company recognizes the revenue ratably upon the satisfaction over the estimated economic life of the license.

The Company does not have amounts of contract assets since revenue is recognized as control of goods is transferred. The contract liabilities consist of advance payments from customers and deferred revenue. Advance payments from customers are expected to be recognized as revenue within 12 months. Deferred revenue is expected to be recognized as revenue within 12 months.

## Recent Accounting Pronouncements

The FASB issued several updates during the period, none of these standards are either applicable to the Company or require adoption at a future date and none are expected to have a material impact on the consolidated financial statements upon adoption.

## Note 3 ACCOUNTS RECEIVABLE, NET

As of June 30, 2023 and December 31, 2022, accounts receivable consisted of the following:

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Accounts receivable	201,069	209,777
Less: Allowance for doubtful accounts	—	—
<b>Total</b>	<b>201,069</b>	<b>209,777</b>

For the six months ended June 30, 2023 and for the year ended December 31, 2022, the Company has recorded provision for doubtful accounts of nil.

## Note 4 INVENTORIES

As of June 30, 2023 and December 31, 2022, inventories consisted of the following:

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Raw materials	86,282	91,781
<b>Total</b>	<b>86,282</b>	<b>91,781</b>

## Note 5 PREPAID EXPENSES AND OTHER ASSETS, NET

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Other receivables from third party	7,923	27,470
<b>Prepaid expenses and other assets, net</b>	<b>7,923</b>	<b>27,470</b>

## Note 6 PROPERTY AND EQUIPMENT, NET

As of June 30, 2023 and December 31, 2022, property and equipment consisted of the following:

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Land	877,870	—
Equipment	893,090	903,867
Less: Accumulated depreciation	(145,352)	(59,254)
<b>Property and equipment, net</b>	<b>1,625,608</b>	<b>844,613</b>

On November 18, 2022, the Company paid US\$ 20,000 for deposit to purchase 229 contiguous acres of land located in Montgomery County, Alabama to build RASs on that land for fish farming. On February 16, 2023, the Company paid US\$857,870 and the land acquisition was completed.

Depreciation expenses for the six months ended June 30, 2023 and 2022 were \$ 81,608 and \$1,241, respectively, and \$ 36,880 and \$454 for the three months ended June 30, 2023 and 2022, respectively.

#### Note 7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of each investment in equity instrument to be measured at fair value through profit or loss is as follows:

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Financial assets mandatorily measured at fair value through profit or loss		
Funds	203,199	—
<b>Total</b>	<b>203,199</b>	<b>—</b>
Current	—	—
Non-Current	203,199	—
<b>Total</b>	<b>203,199</b>	<b>—</b>

Net gain of \$3,199 was recognized under changes in fair value of financial assets at fair value through profit or loss in the consolidated statement of profit or loss for the period ended June 30, 2023.

As of June 30, 2023, no financial assets at fair value through profit or loss were pledged with banks as collaterals.

#### Note 8 GOODWILL

As of June 30, 2023 and December 31, 2022, goodwill consisted of the following:

##### Goodwill

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Goodwill - Meixin	3,905,735	3,905,735
Less: Accumulated amortization	—	—
<b>Goodwill, net</b>	<b>3,905,735</b>	<b>3,905,735</b>

##### Customer relations

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Acquisitions	135,325	135,325
Translation/ Adjustments	—	—
Less: Accumulated amortization	(13,044)	(4,891)
Less: Impairment	—	—
<b>Customer relations, net</b>	<b>122,281</b>	<b>130,434</b>

#### Note 9 OTHER BORROWINGS

Other loans consisted of the following:

	June 30, 2023 (Unaudited) \$	December 31, 2022 (Audited) \$
Secured loan from Chailease Finance Co., Ltd wholly repayable within 1 year	169,434	214,913
Total secured loan wholly repayable within 1 year	169,434	214,913
Secured loan from Chailease Finance Co., Ltd wholly repayable more than 1 year	394,404	436,341
<b>Total</b>	<b>563,838</b>	<b>651,254</b>



As of December 31, 2022, the outstanding loan from Chailease Finance Co., Ltd of \$ 651,254 (or TWD 20,000,000) with annual interest rate of 6% was secured by pledging the timely deposit in Sunny Bank (Xizhi Branch) of \$500,000, and denominated in TWD for a term of 24 months. This facility of credit limit of TWD 20,000,000 was obtained on December 19, 2022 and will be expired on December 16, 2024.

#### Note 10 WARRANTS

On April 1, 2021, the Company entered into a securities purchase agreement with certain investors for an aggregate of 80,000 shares of its preferred stock at a per share purchase price of \$2.50. As part of the transaction, the investors received one Class C warrant and one Class D warrant for the subscription of each preferred share. The Class C warrants consist of the right to purchase up to 80,000 shares of the Company's common stock at an exercise price of \$2.50 per share exercisable for 36 months from the date of inception. The Class D warrants consist of the right to purchase up to 80,000 shares of the Company's common stock at an exercise price of \$5.00 per share exercisable for 36 months from the date of inception. The subscription was completed on August 10, 2021.

On September 27, 2021, the Company entered into another securities purchase agreement with the same investors, pursuant to which the Company issued in a registered direct offering, an aggregate of 48,000 shares of common stock of the Company at a per share purchase price of \$2.50. In addition, the investors also received one Class C warrant and one Class D warrant for the subscription of each preferred share. The Class C warrants consist of the right to purchase up to 80,000 shares of the Company's common stock at an exercise price of \$2.50 per share exercisable for 36 months from the date of inception. The Class D warrants consist of the right to purchase up to 80,000 shares of the Company's common stock at an exercise price of \$5.00 per share exercisable for 36 months from the date of inception.

#### Public Offering

In connection with a firm commitment underwritten public offering (the "Public Offering") pursuant to a registration statement on Form S-1, amended (File No. 333-264059), originally filed with the SEC on April 1, 2022, and declared effective by the SEC on August 10, 2022, the Company sold an aggregate of 1,880,000 units (the "Units"). Each Unit consisted of one share of common stock and a warrant to purchase two shares of common stock. Each warrant underlying the Units was exercisable from the date of issuance until the fifth anniversary of the issuance date for \$3.85 per share of Common Stock (110% of the public offering price per Unit), subject to adjustment in the event of stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the common stock as described in the warrants. The Public Offering closed on August 15, 2022, and the Company received total gross proceeds of \$6.58 million. After deducting the underwriting commissions, discounts, and offering expenses, the Company received net proceeds of approximately \$5.3 million.

In connection with the Public Offering and pursuant to the underwriting agreement between us and the underwriters named therein, we granted the underwriters a 45-day option to purchase up to 282,000 additional shares of common stock and warrants, equivalent to 15% of the Units sold in the Public Offering, at the public offering price per Unit, less underwriting discounts and commissions, to cover over-allotments, if any. On September 23, 2022, the underwriters exercised their option to purchase an additional 282,000 warrants from us for gross proceeds of \$ 2,820. The warrants were issued to the underwriters on September 26, 2022.

On November 14, 2022, the exercise price of the warrants was decreased to \$1.925. Under the terms of the warrants, the exercise price was to be decreased to the greater of (i) \$1.925, which represented 50% of the original exercise price; and (ii) 100% of the last volume weighted average price immediately preceding the 90<sup>th</sup> calendar day following the initial issuance date (the "Reset Exercise Price") if, on the date that is 90 calendar days immediately following the initial issuance date, the Reset Exercise Price is less than the original \$3.85 exercise price on that date.

The Reset Exercise Price remains subject to adjustment in the event of stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the Common Stock as described in the Warrants.

#### Reverse Split

In connection with the Public Offering, on August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. As a result of reverse stock split, the shares of common stock issuable upon the conversion of Class C warrant decreased from 80,000 shares to 53,334 shares for \$3.75 per share and Class D warrant decreased from 80,000 shares to 53,334 shares for \$7.50 per share.

Appraisal Date (Inception Date)	Class C Warrant August 10, 2021	Class D Warrant August 10, 2021
(Unaudited)		
	\$	\$
Market price per share (USD/share)	1.47	0.66
Exercise price (USD/price)	2.50	5.00
Risk free rate	0.14%	0.14%
Dividend yield	0.00%	0.00%
Expected term/ Contractual life (years)	1.39	1.39
Expected volatility	56.36%	56.36%

Appraisal Date (Inception Date)	Class C Warrant September 27, 2021	Class D Warrant September 27, 2021
(Unaudited)		
	\$	\$
Market price per share (USD/share)	1.71	0.73
Exercise price (USD/price)	2.50	5.00
Risk free rate	0.15%	0.15%
Dividend yield	0.00%	0.00%
Expected term/ Contractual life (years)	1.26	1.26
Expected volatility	52.93%	52.93%

The following is a reconciliation of the beginning and ending balances of warrants liability measured at fair value on a recurring basis using Level 3 inputs:

	June 30, 2022	December 31, 2022
	\$	\$
Balance at the beginning of period	1,179,768	312,320
Warrants issued to investors	–	754,303
Warrants redeemed	–	113,145
Fair value change of warrants included in earnings	–	–
<b>Total</b>	<b>1,179,768</b>	<b>1,179,768</b>

The following is a summary of the warrant activity:

	Number of Warrants	Average Exercise Price	Weighted Average Remaining Contractual Term in Years
Outstanding at January 1, 2023	2,418,000	2.12	4.73
Exercisable at January 1, 2023	2,418,000	2.12	4.73
Granted	–	–	–
Exercised / surrendered	–	–	–
Expired	–	–	–
Outstanding at June 30, 2023	2,418,000	2.12	4.73
Exercisable at June 30, 2023	2,418,000	2.12	4.73

#### Note 11 LEASES

The Company has two non-cancelable lease agreements for certain of the office and accommodation as well as fish farming containers for research and develop advanced technology for water circulation applying in fishery with original lease periods expiring between 2022 and 2023. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Company will exercise that option. The Company recognizes rental expense on a straight-line basis over the lease term.

The components of lease expense for the six months ended June 30, 2023 and June 30, 2022 were as follows:

	Statement of Income Location	Six months ended June 30, 2023 (Unaudited) \$	Six months ended June 30, 2022 (Unaudited) \$
<b>Lease Costs</b>			
Operating lease expense	General and administrative expenses	32,131	22,976
Total net lease costs		32,131	22,976

Maturity of lease liabilities under our non-cancelable operating leases as of December 31, 2022 and June 30, 2023 are US\$ nil.

#### Note 12 OTHER PAYABLES AND ACCRUED LIABILITIES

	June 30, 2023 (Unaudited) \$	December 31, 2022
	\$	\$
Salary payable	822	861
Others	31,468	37,527
<b>Total</b>	<b>32,290</b>	<b>38,388</b>

#### Note 13 INCOME TAXES

The Company and its subsidiary, and the consolidated VIE file tax returns separately.

##### 1) Value-added tax ("VAT")

##### PRC

Pursuant to the Provisional Regulation of the PRC on VAT and the related implementing rules, all entities and individuals ("taxpayers") that are engaged in the sale of products in the PRC are generally required to pay VAT, at a rate of which was changed from 16% to 13% on April 1, 2019 of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayers.

##### Taiwan

Pursuant to the Value-added and Non-value-added Business Tax Act and the related implementing rules, all entities and individuals ("taxpayers") that are engaged in the sale of products in the Taiwan are generally required to pay VAT, at a rate of 5%.

##### 2) Income tax

## United States

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into legislation. The Tax Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 34% to 21%, imposing a mandatory one-time tax on accumulated earnings of foreign subsidiaries, introducing new tax regimes, and changing how foreign earnings are subject to U.S. tax.

15

On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to provide guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. The Company has completed the assessment of the income tax effect of the Tax Act and there were no adjustments recorded to the provisional amounts.

The Coronavirus Aid, Relief and Economy Security Act (the "CARES Act") was signed into law on March 27, 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for NOL deductions for 2018-2020 tax years and reinstated NOL carrybacks for the 2018-2020 tax years. Moreover, the CARES Act also temporarily increases the business interest deduction limitations from 30% to 50% of adjusted taxable income for the 2019 and 2020 taxable year. Lastly, the Tax Act technical correction classifies qualified improvement property as 15-year recovery period, allowing the bonus depreciation deduction to be claimed for such property retroactively as if it was included in the Tax Act at the time of enactment. The Company does not anticipate a significant tax impact on its financial statements and will continue to examine the impact the CARES Act may have on its business.

The Company evaluated the Global Intangible Low Taxed Income ("GILTI") inclusion on current earnings and profits of greater than 10% owned foreign controlled corporations. The Company has evaluated whether it has additional provision amount resulted by the GILTI inclusion on current earnings and profits of its foreign controlled corporations. The law also provides that corporate taxpayers may benefit from a 50% reduction in the GILTI inclusion, which effectively reduces the 21% U.S. corporate tax rate on the foreign income to an effective rate of 10.5%. The GILTI inclusion further provides for a foreign tax credit in connection with the foreign taxes paid. In 2019, the Company recorded a GILTI inclusion of \$152,829. The Company has elected to treat the financial statement impact of GILTI as current period expenses.

The reverse merger was completed on December 31, 2018 and the tax losses of US subsidiary was not in the scope as of December 31, 2018. As of December 31, 2019, net operating loss carried forward which was available to offset future taxable income for the Company in the United States was \$99,817. There is a full valuation allowance applied against these loss carry forward as management determined it was not more likely than not that these net operating losses would be utilized in the foreseeable future.

## Hong Kong

The HK tax reform has introduced two-tiered profits tax rates for corporations. Under the two-tiered profits tax rates regime, the profits tax rate for the first HK\$2 million (approximately \$257,931) of assessable profits will be lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance (IRO)) for corporations. Assessable profits above HK\$2 million (approximately \$257,931) will continue to be subject to the rate of 16.5% for corporations. The Company assessed that the HK entity will not earn a profit greater than HK\$2 million (approximately \$257,931), it is subject to a corporate income tax rate of 8.25%.

As of December 31, 2022, the Company's subsidiary in Hong Kong had net operating loss carry forwards available to offset future taxable income. The net operating losses will be carryforward indefinitely under Hong Kong Profits Tax regulation. There is a full valuation allowance applied against these loss carry forward as management determined it was not more likely than not that these net operating losses would be utilized in the foreseeable future.

## PRC

WFOE and the consolidated VIE established in the PRC are subject to the PRC statutory income tax rate of 25%, according to the PRC Enterprise Income Tax ("EIT") law.

In accordance with the relevant tax laws and regulations of the PRC, a company registered in the PRC is subject to income taxes within the PRC at the applicable tax rate on taxable income. All the PRC subsidiaries were subject to income tax at a rate of 25% for the year ended December 31, 2022. According to PRC tax regulations, the PRC net operating loss can generally carry forward for no longer than five years starting from the year subsequent to the year in which the loss was incurred.

16

## Taiwan

The Company's loss before income taxes is primarily derived from the operations in Taiwan and income tax expense is primarily incurred in Taiwan.

As a result of amendments to the "Taiwan Income Tax Act" enacted by the Office of the President of Taiwan on February 7, 2018, the statutory income tax rate increased from 17% to 20% and the undistributed earning tax, or a surtax, decreased from 10% to 5% effective from January 1, 2018. As a result, the statutory income tax rate in Taiwan is 20% for the years ended August 31, 2021 and 2020. An additional surtax, of which rate was reduced from 10% to 5% being applied to the Company starting from September 1, 2018, is assessed on undistributed income for the entities in Taiwan, but only to the extent such income is not distributed or set aside as a legal reserve before the end of the following year. The 5% surtax is recorded in the period the income is earned, and the reduction in the surtax liability is recognized in the period the distribution to stockholders or the setting aside of legal reserve is finalized in the following year.

The components of the income tax expense are:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Current	—	2,161	—	2,170
Deferred	—	—	—	—
<b>Total income tax expense</b>	<b>—</b>	<b>2,161</b>	<b>—</b>	<b>2,170</b>

The reconciliation of income taxes expenses computed at the Taiwan statutory tax rate (2021: at PRC statutory rate) applicable to income tax expense is as follows:

	Six months ended June 30,	
	2023	2022
Taiwan (2021-PRC) income tax statutory rate	20.00%	20.00%
Impact of different tax rates in other jurisdictions	(0.05%)	1.19%
Tax effect of non-deductible expenses	(2.69%)	(9.19%)
Tax effect of non-deductible share based compensation	(10.05%)	(3.65%)
Utilization of tax losses	—	—
Others	—	0.04%
Changes in valuation allowance	(7.20%)	(8.57%)
<b>Effective tax rate</b>	<b>(0.01%)</b>	<b>(0.18%)</b>

### 3) Deferred tax assets (liabilities), net

The tax effects of temporary differences representing deferred income tax assets and liabilities result principally from the following:

	June 30, 2023	December 31, 2022
	\$	\$
<b>Deferred tax assets</b>		
Tax loss carried forward	—	23,391
Allowance for doubtful receivables	—	—
Total deferred tax assets	—	—
Valuation allowance	—	—
<b>Total deferred tax assets, net</b>	<b>—</b>	<b>23,391</b>

17

	June 30, 2023	December 31, 2022
	\$	\$
<b>Deferred tax liabilities</b>		
Property and equipment, difference in depreciation	—	—
<b>Deferred tax liabilities, net</b>	<b>—</b>	<b>—</b>

The valuation allowance as of June 30, 2023 and December 31, 2022 was primarily provided for the deferred income tax assets if it is more likely than not that these items will expire before the Company is able to realize its benefits, or that the future deductibility is uncertain. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or utilizable. Management considers projected future taxable income and tax planning strategies in making this assessment. The movement for the valuation allowance is as follows.

	June 30, 2023	December 31, 2022
	\$	\$
<b>Balance at beginning of the year</b>	<b>95,844</b>	<b>95,844</b>
Additions of valuation allowance	—	—
Reductions of valuation allowance	—	—
<b>Balance at the end of the year</b>	<b>95,844</b>	<b>95,844</b>

### PRC Withholding Tax on Dividends

The current PRC Enterprise Income Tax Law imposes a 10% withholding income tax for dividends distributed by foreign-invested enterprises to their immediate holding companies outside the PRC. A lower withholding tax rate will be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign holding company. Distributions to holding companies in Hong Kong that satisfy certain requirements specified by PRC tax authorities, for example, will be subject to a 5% withholding tax rate.

As of December 31, 2022, the Company had not recorded any withholding tax on the retained earnings of its foreign-invested enterprises in the PRC, since the Company had intended to reinvest its earnings to potentially continue its business in mainland China, namely the manufacturing of the RASS through GZ GST, and its foreign-invested enterprises do not intend to declare dividends to their immediate foreign holding companies.

As of June 30, 2023, the Company had not recorded any withholding tax on the retained earnings of its foreign-invested enterprises in the PRC, and the Company decided not to reinvest its earnings since it is not continuing its business in mainland China, and its foreign-invested enterprises do not intend to declare dividends to their immediate foreign holding companies.

## Note 14 RELATED PARTY BALANCES AND TRANSACTIONS

### Due to related parties

The balance due to related parties was as follows:

	June 30, 2023	December 31, 2022
	\$	\$
Mr. Yin-Chieh Cheng (1)	9,614	11,238
Mountain Share Transfer, LLC (2)	7,681	7,681
<b>Total</b>	<b>17,295</b>	<b>18,919</b>

## Sales

The balance of sales with a related party was as following:

	Related Party Categories	June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
		\$	\$
Grand Smooth Corporation Limited (3)	Same director	262,875	993,981
<b>Total</b>		<b>262,875</b>	<b>993,981</b>

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

Note:

- (1) Mr. Yin-Chieh Cheng ("Mr. Cheng") is the chairman the Company, and he holds 36.4% shares of the Company. The balance due to Mr. Cheng as of March 31, 2022 mainly represented the amount paid by Mr. Cheng on behalf of the Company.
- (2) Mountain Share Transfer, LLC is company 100% controlled by Erik S. Nelson, a stockholder of the Company. The balances represented the amount paid on behalf of the Company for its daily operation purpose.
- (3) Grand Smooth Corporation Limited's chairman is Mr. Yin-Chieh Cheng ("Mr. Cheng") same with Company. Grand Smooth Corporation Limited will purchase goods from Company and re-sell it. All the terms were not significantly different from those of sales to third parties.

## Note 15 COMMON STOCK

The Company's authorized number of common stock is 200,000,000 shares with par value of \$0.001 each. On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. As a result of reverse stock split, the Company's common stock issued and outstanding decreased from 10,707,150 shares to 7,138,587 shares. All shares and associated amounts have been retroactively restated to reflect the stock split on August 11, 2022. As of June 30, 2023 and December 31, 2022, issued common stock were 9,693,587 shares and 9,243,587, respectively.

On August 11, 2022, the Company's common stock commenced trading on The Nasdaq Capital Market under the symbol "NCRA" on a post-reverse stock split basis. During the public offering, 1,880,000 common stocks, at par value \$0.001 each, were issued at the offering price \$3.50 per share. The Company received total gross proceeds of \$6.58 million from the public offering and after deducting the underwriting commissions, discounts and offering expenses, the Company received net proceeds of approximately \$5.3 million.

All number of shares, share amounts and per share data presented in the accompanying unaudited consolidated financial statements and related notes have been retroactively restated to reflect the reverse merger transaction and subsequent issuance of shares stated above, except for authorized shares of common stock, which were not affected.

## Note 16 SHARE-BASED COMPENSATION

On December 27, 2018, Nocera granted Mr. Yin-Chieh Cheng quarterly option awards of 250,000 Series A warrants for 20 quarters (5 years) for a total of 5,000,000 Series A warrants with an exercise price of \$ 0.50 per share, subject to continued employment for services as Chairman of the Board of Directors ("Board") and a Director.

On June 1, 2020, Nocera granted Mr. Shun-Chih Chuang and Mr. Hsien-Wen Yu 50,000 shares of Class A warrants and 60,000 shares of Class A warrants separately, each with an exercise price of \$0.50 per share, for serving as the Company's Chief Financial Officer and Chief Operating Officer, respectively. The Company also granted 2 employees 50,000 shares of Class A warrants with an exercise price of \$ 0.50 per share. The Class A warrants consist of the right to purchase one share for \$0.50 per share from the date of issuance until April 23, 2026.

On June 1, 2020, Nocera granted Mr. Michael A. Littman 50,000 shares of Class A warrants with an exercise price of \$ 0.50 per share and 50,000 shares of Class B warrants with exercise price of \$1.00 per share. Mr. Littman exercised 50,000 shares of Class A warrants and 50,000 shares of Class B warrants on August 11, 2021. The Class B warrants consist of the right to purchase one share for \$1.00 per share separately from the date of issuance until April 23, 2026.

On December 1, 2021, Nocera granted Mr. Shun-Chih Chuang and Mr. Hsien-Wen Yu 75,000 shares of Class A warrants and 60,000 shares of Class A warrants separately, each with an exercise price of \$0.50 per share, for serving as the Company's Chief Financial Officer and Chief Operating Officer, respectively. The Company also granted 2 employees 70,000 shares of Class A warrant with an exercise price of \$ 0.50 per share.

On December 31, 2022, the Company issued an aggregate of 505,000 shares of common stock to Mr. Shun-Chih Chuang and a total of five consultants in consideration for services rendered.

On December 22, 2022, the Company issued 150,000 and 75,000 shares of common stock to Chen-Chun Chung and TraDigital respectively in consideration for services rendered.

On March 22, 2023, the Company issued 450,000 shares of common stock to Hanover International, Inc. respectively in consideration for services rendered.

On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. The result of reverse stock split over the common stock issuable upon exercise of the following outstanding securities as of September 30, 2022 is listed below:

	Before Reverse Stock Split	After Reverse Stock Split
Series A Warrant	4,000,000	2,666,667
Class A Warrants	1,015,000	676,667
Class B Warrants	650,000	433,334
Class C Warrants	940,000	626,667
Class D Warrants	940,000	626,667
2018 Stock Option and Award Incentive Plan	10,000,000	6,666,667
	<u>17,545,000</u>	<u>11,696,669</u>

The estimated fair value of share-based compensation for employees is recognized as a charge against income on a ratable basis over the requisite service period, which is generally the vesting period of the award. The fair value of stock option grant was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions:

	June 30, 2023	December 31, 2022
Dividend yield	N/A	N/A
Risk-free interest rate	1.16%	1.16%
Expected term (in years)	4.31	4.31
Volatility	48.15%	48.15%

The Company estimated the grant date fair value of time-based stock option awards using the Black-Scholes option valuation model, which requires assumptions involving an estimate of the fair value of the underlying common stock on the date of grant, the expected term of the options, volatility, discount rate and dividend yield. The Company calculated expected option terms based on the "simplified" method for "plain vanilla" options due to the limited exercise information. The "simplified method" calculates the expected term as the average of the vesting term and the original contractual term of the options. The Company calculated volatility using the average adjusted volatility of quick companies feature of Capital IQ for a period of time reflective of the expected option term, while the discount rate was estimated using the interest rate for a treasury note with the same contractual term as the options granted. Dividend yield is estimated at our current dividend rate, which adjusts for any known future changes in the rate.

For the six months ended June 30, 2023 and year ended December 31, 2022, \$ 709,376 and \$6,638,371 share-based compensation expenses was recognized into additional paid-in capital of the Company, respectively.

As of December 31, 2022, total unrecognized compensation cost related to unvested share-based compensation awards was \$ 11,114,097. This amount is expected to be recognized as stock-based compensation expense in the Company's consolidated statements of operations and comprehensive income over the remaining vesting period of 1.99 years.

#### Note 17 PREFERRED STOCK

In August 2021, the Company issued 80,000 preferred shares, par value \$0.001 per share, at an issue price of \$2.50 per share to certain investors credited as fully paid. The preferred shares are non-voting and non-redeemable. The holder of the preferred shares will have priority over the holders of the common stock of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding up or dissolution of the Company. The holder of the preferred shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of such holder).

On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. As a result of reverse stock split, the shares of common stock issuable upon the conversion of Series A Preferred Stock decreased from 80,000 shares to 53,334 shares.

#### Note 18 LOSS PER SHARE

The following table sets forth the computation of basic and diluted (loss) income per common share for the three and six months ended June 30, 2023 and 2022.

	For three months ended June 30,		For six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Numerator:				
Net loss attributable to the Company	(311,374)	(383,977)	(1,299,022)	(1,189,697)
Denominator:				
Weighted-average shares outstanding				
- Basic	9,693,587	7,138,587	9,494,692	7,128,642
- Diluted	9,693,587	7,138,587	9,494,692	7,128,642
Loss per share:				
- Basic	(0.0321)	(0.1129)	(0.1368)	(0.1669)
- Diluted	(0.0321)	(0.1129)	(0.1368)	(0.1669)

Basic net loss per common share is computed using the weighted average number of the common shares outstanding during the period.

## Note 19 SUBSEQUENT EVENTS

As previously reported on a Current Report on Form 8-K filed by the Company with the SEC on July 13, 2023, the Company regrettably announced the unexpected death of Yin-Chieh ("Jeff") Cheng. Jeff had served as the Company's Chief Executive Officer, President and Chairman of the Board since December 27, 2018. It is anticipated that Jeff's shares of common stock and Series A warrants of the Company will be inherited by his mother.

As previously reported on a Current Report on Form 8-K filed by the Company with the SEC on August 8, 2023, the Board of Directors appointed Andy Ching-An Jin as the Company's Chief Executive Officer, effective July 31, 2023.

As previously reported on a Current Report on Form 8-K filed by the Company with the SEC on August 3, 2023, on July 31, 2023, the Company received a letter from the Nasdaq Listing Qualifications Staff ("Staff") of The Nasdaq Stock Market LLC ("Nasdaq") therein stating that due to the resignation of Yih-Yu ("Grace") Lei from the Company's Audit Committee of the Board of Directors, the Company no longer complies with Nasdaq's audit committee requirement as set forth in Listing Rule 5605.

To regain compliance, the Board must appoint an independent director to fill the vacancy on the Audit Committee resulting from Ms. Lei's resignation. Per the Staff's letter and consistent with Nasdaq Listing Rule 5605(c)(4), the Company is required to evidence its compliance with Listing Rule 5605 no later than January 23, 2024 (the "Compliance Period"). In the event the Company does not regain compliance by the Compliance Period, Nasdaq rules require the Staff to provide written notification to the Company that its securities will be delisted. At that time, the Company may appeal the delisting determination to a Nasdaq Hearings Panel.

The Company is currently interviewing and evaluating candidates to serve on the Board and the Audit Committee. The notice from Nasdaq has no immediate effect on the listing of the Company's common stock, and its common stock will continue to be listed on The Nasdaq Capital Market under the symbol "NCRA."

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. Our consolidated financial statements have been prepared in accordance with GAAP. In addition, our unaudited consolidated financial statements and the financial data included in this Quarterly Report on Form 10-Q reflect our reorganization and have been prepared as if our current corporate structure had been in place throughout the relevant periods. Actual results could differ materially from those projected in the forward-looking statements. For additional information regarding these and other risks and uncertainties, please see the items listed under the section captioned "*Cautionary Statement Regarding Forward-Looking Statements*" herein and the section captioned "*Risk Factors*" as well as any other cautionary language contained in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2022 initially filed with the SEC on March 31, 2023. Except as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events after the date of this Quarterly Report on Form 10-Q.

### Operations Overview

As of December 31, 2019, we provide land-based recirculation aquaculture systems for fish farming. Our primary business operations consist of the design, development and production of RASs large scale fish tank systems, for fish farms along with expert consulting, technology transfer, and aquaculture project management services to new and existing aquaculture management business services. Through our branch office, we also procure and sell eel in Taiwan. In addition, as of December 2022, we sell food items, including our signature seafood porridge bowl, through our flagship bento box store located at the Ning Xia Night Market in the Datong District of Taipei City, Taiwan.

In October 2020, the government of Taiwan began supporting the Green Power and Solar Sharing Fish Farms initiative. In view of the opportunities resulting from this initiative, in October 2020, Nocera ceased all of its operations in China and moved all of its technology and back-office operations to Taiwan. We now only operate out of Taiwan.

Our current mission is to provide consulting services and solutions in aquaculture projects to reduce water pollution and decrease the disease problems of fisheries. Our goal is to become a global leader in the land-based aquaculture business. We are now poised to grow our existing operations in Taiwan and expand into the development and management of land-based fish farms in Taiwan and North and South America. We do not currently have any intentions of conducting operations in China or Hong Kong.

Effective December 31, 2020, we entered into a series of contractual agreements with Xin Feng Construction Co., Ltd., a funded limited liability company registered in Taiwan (R.O.C.), whereby we agreed to provide technical consulting and related services to XFC for RAS equipment for fish farms. XFC was engaged in the business of providing construction services to governmental and commercial buildings, including construction indoor fish farms. In November 2022, we decided to shift our focus away from construction services and on November 30, 2022, we entered into a Purchase of Business Agreement with Han-Chieh Shih (the "Purchaser") pursuant to which we sold our controlling interest of XFC to the Purchaser for a total cash purchase price of \$300,000 (the "XFC Sale"). The closing of the XFC Sale occurred on November 30, 2022 and our XFC VIE agreements were terminated in connection with the XFC Sale. As of the filing date of this Annual Report on Form 10-K, we have no intention of providing construction services for indoor RASs and solar sharing fish farms in Taiwan.

As of September 30, 2021, we launched our first RAS demo site in Taiwan and engaged the demo site into the testing phase to raise eel. Currently, we are promoting our RASs in Taiwan and looking for opportunities to cooperate with local solar energy industry and to expand our business into the U.S. We believe the U.S. is a potentially lucrative market to penetrate.

On September 7, 2022, we entered into a series of contractual agreements with the majority stockholder of Meixin Institutional Food Development Co., Ltd., a Taiwan corporation and a food processing and catering company, and Meixin, of which we purchased 80% controlling interest of Meixin for \$4,300,000. The Meixin VIE Agreements essentially confer control and management of Meixin as well as substantially all of the economic benefits of the Selling Stockholder in Meixin to us. As a result, we have been determined to be the primary beneficiary of Meixin and Meixin became our VIE.

Agreement dated as of June 1, 2023, as amended, with Zhe Jiang Xin Shui Hu Digital Information, Ltd. ("Zhe Jiang"), pursuant to which GZ GST acquired all of the issued and outstanding equity securities of Zhe Jiang from the stockholders of Zhe Jiang (the "Zhe Jiang Acquisition") in exchange for the issuance of 1,500,000 shares of our common stock, par value \$0.001 per share. During the initial transaction process and our performing due diligence for the closing, we observed that time constraints have led to certain complexities and challenges in consummating the Acquisition within the originally planned timeframe. We are actively working with Zhe Jiang to resolve such complexities and challenges and will file a Current Report on Form 8-K if and when the Zhe Jiang Acquisition is consummated.

We employ a sales and marketing strategy targeting Taiwan government-supported solar fish farms. We are planning on expanding our sales and marketing model through the use of online marketing, data intelligence, and the establishment of a distributor network. The online marketing and data intelligence is designed to generate sales leads internationally outside of Taiwan that can be directed to our sales department for further follow-up.

We plan to sell RAS equipment and to provide consulting services for the development of fish farms in the U.S. We expect to sell over five thousand tanks in the next five years. Our production facility is to be established in Taiwan, and we plan to sell the systems into the Americas and European countries as well.

We also intend to build fish farming demo sites in the United States in 2024 to promote our fish farming systems to the global market. As of February 16, 2023, we completed the acquisition of 229 acres of land in Montgomery County, Alabama, of which we intend to build RASs on that land for fish farming.

We also intend to expend the fish farming demo sites in Taiwan by adding 20 units of RAS eel farming equipment with outsourcing construction services by the end of 2023, and build the catfish farm in the US by the end of 2024 to promote our fish farming systems to the global market. As of February 16, 2023, we completed the acquisition of 229 acres of land in Montgomery County, Alabama, of which we intend to build RASs on that land for fish farming.

### ***Key Factors Affecting our Performance***

As a result of a number of factors, our historical results of operations may not be comparable to our results of operations in future periods, and our results of operations may not be directly comparable from period to period. Set forth below is a brief discussion of the key factors impacting our results of operations.

### ***Known Trends and Uncertainties***

#### **Inflation**

Prices of certain commodity products, including raw materials, are historically volatile and are subject to fluctuations arising from changes in domestic and international supply and demand, labor costs, competition, market speculation, government regulations, trade restrictions and tariffs. Increasing prices in the component materials for our goods may impact the availability, the quality and the price of our products, as suppliers search for alternatives to existing materials and increase the prices they charge. Our suppliers may also fail to provide consistent quality of product as they may substitute lower cost materials to maintain pricing levels. Nocera's cost base also reflects significant elements for freight, including fuel, which has significantly increased due to the effects of the coronavirus (COVID-19) pandemic and Russia's military action against Ukraine. Rapid and significant changes in commodity prices such as fuel and plastic may negatively affect our profit margins if Nocera is unable to mitigate any inflationary increases through various customer pricing actions and cost reduction initiatives.

#### **Geopolitical Conditions**

Our operations could be disrupted by geopolitical conditions, trade disputes, international boycotts and sanctions, political and social instability, acts of war, terrorist activity or other similar events. From time to time, we could have a large revenue stream associated with a particular customer or a large number of customers located in a particular geographic region. Decreased demand from a discrete event impacting a specific customer, industry, or region in which we have a concentrated exposure could negatively impact our results of operations.

In February 2022, Russia initiated significant military action against Ukraine. Russia's invasion, the responses of countries and political bodies to Russia's actions, and the potential for wider conflict may increase financial market volatility and could have adverse effects on regional and global economic markets, including the markets for certain securities and commodities. Following Russia's actions, various countries, including the United States, Canada, the United Kingdom, Germany and France, as well as the European Union, issued broad-ranging economic sanctions against Russia. The sanctions consist of the prohibition of trading in certain Russian securities and engaging in certain private transactions, the prohibition of doing business with certain Russian corporate entities, large financial institutions, officials and persons and the freezing of Russian assets. The sanctions include a possible commitment by certain countries and the European Union to remove selected Russian banks from the Society for Worldwide Interbank Financial Telecommunications, commonly called "SWIFT," the electronic network that connects banks globally, and imposed restrictive measures to prevent the Russian Central Bank from undermining the impact of the sanctions. A number of large corporations and U.S. states have also announced plans to curtail business dealings with certain Russian businesses.

The imposition of the current sanctions (and potential imposition of further sanctions in response to continued Russian military activity) and other actions undertaken by countries and businesses may adversely impact various sectors of the Russian economy, and the military action has severe impacts on the Ukrainian economy, including its exports and food production. The duration of ongoing hostilities and corresponding sanctions and related events cannot be predicted and may result in a negative impact on the markets and thereby may negatively impact our business, financial condition and results of operation.

#### **Foreign Currency**

Our reporting currency is the U.S. dollar and our operations in Taiwan use their local currency as their functional currencies. Substantially all of our revenue and expenses are in NT dollars. We are subject to the effects of exchange rate fluctuations with respect to any of such currency. For example, the value of the NT dollar depends to a large extent on Taiwan government policies and Taiwan's domestic and international economic and political developments, as well as supply and demand in the local market.

The income statements of our operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currencies denominated transactions results in reduced revenue, operating expenses and net income for our international operations. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries into U.S. dollars in consolidation.

#### **Effects of COVID-19**

COVID-19 has globally resulted in the loss of life, business closures, restrictions on travel and widespread cancellation of social gatherings. The extent to which COVID-19 impacts our business will depend on future developments, which are highly uncertain and cannot be predicted at this time, including:



- new information which may emerge concerning the severity of the disease;
- the duration and spread of any outbreaks;
- the severity of travel restrictions imposed by geographic areas in which we operate, mandatory or voluntary business closures;
- regulatory actions taken in response to any outbreaks, which may impact merchant operations, consumer and merchant pricing, and our product offerings;
- other business disruptions that affect our workforce;
- the impact on capital and financial markets; and
- actions taken throughout the world, including in markets in which we operate, to contain any COVID-19 outbreaks or treat its impact.

In addition, the any outbreak of COVID-19 may result in a widespread global health crisis and adversely affected global economies and financial markets, and similar public health threats could do so in the future.

Since 2021, substantially all our revenues are concentrated in Taiwan pending expansion into other international markets. Consequently, our results of operations will likely be adversely materially affected to the extent that any COVID-19 outbreak or any epidemic harms Taiwan's economy and society and the global economy in general. Any potential impact to our results will depend on to a large extent, future developments and new information that may emerge regarding the duration and severity of any COVID-19 outbreak and the actions taken by government authorities and other entities to contain any COVID-19 outbreak or treat its impact, almost all of which are beyond our control. If the disruptions posed by any COVID-19 outbreak or other matters of global concern continue for an extensive period of time, the operations of our business may be materially adversely affected.

To the extent any COVID-19 outbreak or a similar public health threat has an impact on our business, it is likely to also have the effect of heightening many of the other risks described in the "Risk Factors" section in Part I, Item 1A of our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2022 initially filed with the SEC on March 31, 2023.

#### **Seasonality**

Since the global growing demand for aquaculture production along with the decreasing production from wild fisheries, our fish farming systems provide a controlled and traceable environment for fish species, and therefore our business rarely suffers a seasonal impact.

#### **Critical Accounting Policies, Estimates and Assumptions**

We prepare our financial statements in conformity with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 on 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. We consider the policies discussed below to be critical to an understanding of our financial statements.

The SEC defines critical accounting policies as those that are, in management's view, most important to the portrayal of our financial condition and results of operations and those that require significant judgments and estimates.

The accounting principles we utilized in preparing our consolidated financial statements conform in all material respects to U.S GAAP.

#### **Reclassification**

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

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the allowance for doubtful receivables; the useful lives of property and equipment and intangible assets; impairment of long-lived assets; recoverability of the carrying amount of inventory; fair value of financial instruments; provisional amounts based on reasonable estimates for certain income tax effects of the Tax Cuts and Jobs Act (the "Tax Act") and the assessment of deferred tax assets or liabilities. These estimates are often based on complex judgments and assumptions that management believes to be reasonable but are inherently uncertain and unpredictable. Actual results could differ from these estimates.

#### **Financial Assets**

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

- a) Category of financial assets and measurement

Financial assets are classified into the following categories: financial assets at FVTPL, investments in debt instruments and equity instruments at

FVTOCI, and financial assets at amortized cost.

1) Financial asset at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset.

2) Investments in debt instruments at FVTOCI

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of collecting contractual cash flows and selling the financial assets, are measured at FVTOCI.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment gains or losses on investments in debt instruments at FVTOCI are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when these debt instruments are disposed.

3) Investments in equity instruments at FVTOCI

On initial recognition, we may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when our right to receive the dividends is established, unless our rights clearly represent a recovery of part of the cost of the investment.

4) Measured at amortized cost

Cash and cash equivalents, commercial paper, debt instrument investments, notes and accounts receivable (including related parties), other receivables, refundable deposits and temporary payments (including those classified under other current assets and other noncurrent assets) are measured at amortized cost.

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of holding financial assets in order to collect contractual cash flows, are measured at amortized cost.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss.

b) Impairment of financial assets

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable) and for investments in debt instruments that are measured at FVTOCI.

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

We recognize an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c) Derecognition of financial assets

We derecognize a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

**Fair Value Measurement**

We apply ASC Topic 820, Fair Value Measurements and Disclosures which defines fair value, establishes a framework for measuring fair value and expands financial statement disclosure requirements for fair value measurements.

ASC Topic 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability (an exit price) on the measurement date in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability.

ASC Topic 820 specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

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

• Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

• Level 3 inputs to the valuation methodology are unobservable and significant to the fair value. Unobservable inputs are valuation technique inputs that reflect our own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Our management is responsible for determining the assets acquired, liabilities assumed and intangibles identified as of the acquisition date and considered a number of factors including valuations from an independent appraiser.

When available, we use quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, we measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include all cash on hand and cash in bank with no restrictions. The balance of cash as of June 30, 2023 and 2022 were \$ 1,116,183 and \$1,916,777, respectively.

#### **Accounts Receivable, Net**

Accounts receivable are stated at the original amount less an allowance for doubtful accounts, if any, based on a review of all outstanding amounts at period end. An allowance is also made when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. We analyze the aging of the customer accounts, coverage of credit insurance, customer concentrations, customer credit-worthiness, historical and current economic trends and changes in its customer payment patterns when evaluating the adequacy of the allowance for doubtful accounts.

#### **Prepaid Expenses and Other Assets, Net**

Prepaid expense and other assets, net consist of receivable from prepaid rent, etc. Management reviews its receivable balance each reporting period to determine if an allowance for doubtful accounts is required. An allowance for doubtful account is recorded in the period in which loss is determined to be probable based on an assessment of specific evidence indicating doubtful collection, historical experience, account balance aging, and prevailing economic conditions. Bad debts are written off against the allowance after all collection efforts have ceased.

#### **Inventories**

Inventories are stated at lower of cost or net realizable value. Cost is determined using the weighted average method. Inventories include raw materials, work in progress and finished goods. The variable production overhead is allocated to each unit of product on the basis of the actual use of the production facilities. The allocation of fixed production overhead to the costs of conversion is based on the normal capacity of the production facilities.

Where there is evidence that the utility of inventories, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the inventories are written down to net realizable value.

#### **Property and Equipment, Net**

Property and equipment are stated at cost less accumulated depreciation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use. Maintenance, repairs, and betterments, including replacement of minor items, are charged to expense; major additions to physical properties are capitalized.

Depreciation of property and equipment is provided using the straight-line method over their estimated useful lives, which are shown as follows.

	Useful life
Leasehold improvements	Shorter of the remaining lease terms and estimated useful lives
Land	Indefinite, as per land titles
Furniture and fixture	5 years
Equipment	3 years
Machinery	5 years
Vehicle	5 years

Upon sale or disposal, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged or credited to income.

#### **Business Combination**

For a business combination, the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree are recognized at the acquisition date and measured at their fair values as of that date. In a business combination achieved in stages, the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, are recognized at the full amounts of their fair values. In a bargain purchase in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree, that excess in earnings is recognized as a gain attributable to the acquirer.

Deferred tax liability and assets are recognized for the deferred tax consequences of differences between the tax bases and the recognized values of assets acquired and liabilities assumed in a business combination in accordance with Accounting Standards Codification ("ASC") Topic 740-10.

#### **Variable Interest Entity**

A variable interest entity ("VIE") is an entity (investee) in which the investor has obtained a controlling interest even if it has less than a majority of voting rights, according to the Financial Accounting Standards Board (FASB). A VIE is subject to consolidation if a VIE meets one of the following three criteria as elaborated in ASC Topic 810-10, Consolidation:

- (a) equity-at-risk is not sufficient to support the entity's activities;
- (b) as a group, the equity-at-risk holders cannot control the entity; or
- (c) the economics do not coincide with the voting interest.

If a firm is the primary beneficiary of a VIE, the holdings must be disclosed on the balance sheet. The primary beneficiary is defined as the person or company with the majority of variable interests. A corporation formed, owned, and operated by two or more businesses (ventures) as a separate and discrete business or project (venture) for their mutual benefit is defined as a joint venture.

#### **Goodwill and Intangible Assets**

We recognize goodwill in accordance with ASC 350, *Intangibles—Goodwill and Other*. Goodwill is the excess of cost of an acquired entity over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill is not amortized. Goodwill is tested for impairment annually as of October 1st of each year, and is tested for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. An impairment charge for goodwill is recognized only when the estimated fair value of a reporting unit, including goodwill, is less than its carrying amount.

We recognize intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*. Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually.

The estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporates management assumptions about expected future cash flows. Although these assets are not currently impaired, there can be no assurance that future impairments will not occur.

#### **Share-Based Compensation**

We determine our share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation* (ASC 718), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees based on the grant date fair value of the award.

Determining the appropriate fair value model and calculating the fair value of phantom award grants requires the input of subjective assumptions. We use the Black-Scholes pricing model to value our phantom awards. Share-based compensation expense is calculated using our best estimates, which involve inherent uncertainties and the application of management's judgment. Significant estimates include our expected volatility. If different estimates and assumptions had been used, our phantom unit valuations could be significantly different and related share-based compensation expense may be materially impacted.

The Black-Scholes pricing model requires inputs such as the risk-free interest rate, expected term, expected volatility and expected dividend yield. We base the risk-free interest rate that we use in the Black-Scholes pricing model on zero coupon U.S. Treasury instruments with maturities similar to the expected term of the award being valued. The expected term of phantom awards is estimated from the vesting period of the award and represents the weighted average period that our phantom awards are expected to be outstanding. We estimated the volatility based on the historic volatility of our guideline companies, which we feel best represent our Company. We have never paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero in the pricing model. We account for forfeitures as they occur.

In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present a fair presentation of our unaudited condensed consolidated financial position as of June 30, 2023, its consolidated results of operations for the period ended June 30, 2023, cash flows for the year period ended June 30, 2023 and change in equity for the period ended June 30, 2023, as applicable, have been made.

Critical accounting policies are those that we consider the most critical to understanding our financial condition and results of operations.

#### **Impairment of Long-lived Assets**

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, we measure impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we would recognize an impairment loss, which is the excess of carrying amount over the fair value of the assets.

#### **Commitments and Contingencies**

In the normal course of business, we are subject to contingencies, including legal proceedings and claims arising out of our business that relate to a wide range of matters, such as government investigations and tax matters. We recognize a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. We may consider many factors in making these assessments including historical and the specific facts and circumstances of each matter.

#### **Revenue Recognition**

We have early adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and all subsequent ASUs that modified ASC 606 on January 1, 2017.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, we apply the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligation in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

We consider revenue is recognized when (or as) we satisfy performance obligations by transferring a promised goods and provide maintenance service to a customer. Revenue is measured at the transaction price which is based on the amount of consideration that we expect to receive in exchange for transferring the promised goods and providing maintenance service to the customer. Contracts with customers are comprised of invoices, and written contracts.

We do not have arrangements for returns from customers. We have no sales incentive programs.

We provide goods, maintenance service warranties for the goods sold with a period varying from 18 months to 72 months, with the majority of the periods being 18 months, and exclusive sales agency license to its customers. For performance obligation related to providing products, we expect to recognize the revenue according to the delivery of products. For performance obligation related to maintenance service warranties, we expect to recognize the revenue on a ratable basis using a time-based output method. The performance obligations are typically satisfied as services are rendered on a straight-line basis over the contract term, which is generally for 18 months as a majority of the maintenance service warranties periods provided are 18 months. For performance obligation related to exclusive agency license, we recognize the revenue ratably upon the satisfaction over the estimated economic life of the license.

We do not have amounts of contract assets since revenue is recognized as control of goods is transferred. The contract liabilities consist of advance payments from customers and deferred revenue. Advance payments from customers are expected to be recognized as revenue within 12 months. Deferred revenue is expected to be recognized as revenue within 12 months.

#### **Cost of Sales**

Cost of sales consists primarily of material costs, labor costs, depreciation, and related expenses, which are directly attributable to the production of the product. Write-down of inventories to lower of cost or net realizable value is also recorded in cost of sales.

#### **Income Taxes**

We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the 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.

#### **Leases**

In February 2016, the FASB issued ASU 2016-12, Leases (ASC Topic 842), which amends the lease requirements in ASC Topic 840, Leases. Under the new lease accounting standard, a lessee will be required to recognize a right-of-use asset and lease liability for most leases on the balance sheet. The new standard also modifies the classification criteria and accounting for sales-type and direct financing leases, and enhances the disclosure requirements. Leases will continue to be classified as either finance or operating leases.

We adopted ASC Topic 842 using the modified retrospective transition method effective January 1, 2019. There was no cumulative effect of initially applying ASC Topic 842 that required an adjustment to the opening retained earnings on the adoption date nor revision of the balances in comparative periods. As a result of the adoption, we recognized a lease liability and right-of-use asset for each of our existing lease arrangement. The adoption of the new lease standard does not have a material impact on our consolidated income statement or our consolidated statement of cash flow.

#### **Uncertain Tax Positions**

We account for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. Interest and penalties related to uncertain tax positions are recognized and recorded as necessary in the provision for income taxes. According to the PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or the withholding agent. The statute of limitations is extended to five years under special circumstances, where the underpayment of taxes is more than RMB 100,000. In the case of transfer pricing issues, the statute of limitation is ten years. There is no statute of limitation in the case of tax evasion. We record interest and penalties on uncertain tax provisions as income tax expense. There were no uncertain tax positions as of March 31, 2023 and 2022, and we have no accrued interest or penalties related to uncertain tax positions. We do not believe that the unrecognized tax benefits will change over the next twelve months.

#### **Comprehensive (Loss) Income**

Comprehensive income or loss is comprised of our net (loss) income and other comprehensive income or loss. The component of other comprehensive income or loss consists solely of foreign currency translation adjustments, net of the income tax effect.

#### **Foreign Currency Translation and Transactions**

Our reporting currency is the United States dollar ("US\$"). The functional currency of our VIE in Taiwan is the New Taiwan dollar ("NT\$"), and the functional currency of our Hong Kong subsidiary is Hong Kong dollars ("HK\$"). The functional currency of PRC companies is the Renminbi ("RMB"). In the consolidated financial statements, the financial information of our subsidiary and the consolidated VIE has been translated into US\$. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, except for changes in accumulated deficit during the year which is the result of income statement translation process, and revenue, expense, gains or losses are translated using the average exchange rate during the year. Translation adjustments are reported as foreign currency translation adjustments and are shown as a separate component of other comprehensive income or loss in the consolidated statements of changes in equity and comprehensive (loss) income. The exchange rates for US\$ to RMB as of March 31, 2023 and 2022 are 6.89259 and 6.345548, respectively. The annual average exchange rates for the year ended December 31, 2022 and 2021 are 6.974587 and 6.370129, respectively.

### **(Loss) Earnings per Share**

Basic (loss) earnings per share is computed by dividing net (loss) income attributable to holders of common stock by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue shares of common stock were exercised or converted into shares of common stock.

## **Results of Operations**

The following table sets forth our unaudited consolidated statements of operations for the three and six months ended June 30, 2023 and 2022.

### **Consolidated Statements of Operations**

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net sales	5,327,181	2,184,613	9,165,044	5,103,658
Cost of sales	(5,289,946)	(2,131,064)	(9,059,153)	(4,994,867)
<b>Gross profit</b>	<b>37,235</b>	<b>53,549</b>	<b>105,891</b>	<b>108,791</b>
<b>Operating expenses</b>				
General and administrative expenses	(368,667)	(437,364)	(1,428,004)	(1,298,317)
<b>Total operating expenses</b>	<b>(368,667)</b>	<b>(437,364)</b>	<b>(1,428,004)</b>	<b>(1,298,317)</b>
<b>Loss from operations</b>	<b>(331,432)</b>	<b>(383,815)</b>	<b>(1,322,113)</b>	<b>(1,189,526)</b>
Other income (expense)	(880)	1,999	(12,388)	1,999
<b>Loss before income taxes</b>	<b>(332,312)</b>	<b>(381,816)</b>	<b>(1,334,501)</b>	<b>(1,187,527)</b>
Income tax expense	—	(2,161)	—	(2,170)
<b>Net loss</b>	<b>(332,312)</b>	<b>(383,977)</b>	<b>(1,334,501)</b>	<b>(1,189,697)</b>
Less: Net loss attributable to non-controlling interests	(20,938)	—	(35,479)	—
<b>Net loss attributable to the company</b>	<b>(331,374)</b>	<b>(383,977)</b>	<b>(1,299,022)</b>	<b>(1,189,697)</b>
<b>Comprehensive (loss) income</b>				
Net loss	(332,312)	(383,977)	(1,334,501)	(1,189,697)
Foreign currency translation gain (loss)	42,882	148,457	19,594	19,226
<b>Total comprehensive loss</b>	<b>(289,430)</b>	<b>(235,520)</b>	<b>(1,314,907)</b>	<b>(1,170,471)</b>
Less: comprehensive loss attributable to non-controlling interest	(8,533)	—	(23,413)	—
<b>Comprehensive loss attributable to the Company</b>	<b>(280,897)</b>	<b>(235,520)</b>	<b>(1,291,494)</b>	<b>(1,170,471)</b>
<b>Loss per share</b>				
Basic	(0.0321)	(0.1129)	(0.1368)	(0.1669)
Diluted	(0.0321)	(0.1129)	(0.1368)	(0.1669)
<b>Weighted average number of common shares outstanding</b>				
Basic	9,693,587	7,138,587	9,494,692	7,128,642
Diluted	9,693,587	7,138,587	9,494,692	7,128,642

## **Revenue**

Revenue for the three months ended June 30, 2023 was \$5,327,181, compared to \$2,184,613 for the comparable period in 2022. The revenue for the three months ended June 30, 2023 was mostly generated from Meixin catering business and the fish trading business from NTB with the revenue of \$0.7 million and \$4.5 million respectively. The increase was mainly because of the development of the sales of eel becoming more mature compared with 2022. There are significant increases in sales locations for the goods and demands of customers for the three months ended June 30, 2023.

Revenue for the six months ended June 30, 2023 was \$9,165,044, compared to \$5,103,658 for the comparable period in 2022. The revenue for the six months ended June 30, 2023 was mostly generated from Meixin catering business and the fish trading business from NTB with the revenue of \$1.3 million and \$7.8 million respectively. The increase was mainly because of the development of the sales of eel becoming more mature compared with 2022. There are significant increases in sales locations for the goods and demands of customers for the six months ended June 30, 2023.

#### **Cost of Sales**

Cost of Sales for the three months ended June 30, 2023 was \$5,289,946, compared to \$2,131,064 for the comparable period in 2022. The increase was mainly due to the decrease of fish fry harvesting and the increase of feed price which led to the increasing cost of fish trading business from NTB for the three months ended June 30, 2023.

Cost of Sales for the six months ended June 30, 2023 was \$9,059,153, compared to \$4,994,867 for the comparable period in 2022. The increase was mainly due to the decrease of fish fry harvesting and the increase of feed price which led to the increasing cost of fish trading business from NTB for the six months ended June 30, 2023.

#### **Gross profit**

Gross profit for the three months ended June 30, 2023 was \$37,235, compared to \$53,549 for the comparable period in 2022. The gross profit for the three months ended June 30 was generated from the fish trading business from NTB with the gross profit of \$51,611, and a gross loss of \$14,197 generated from Meixin catering business. The decrease was primarily because there was a significant increase in cost of sales from NTB's fish trading business for the three months ended June 30, 2023.

Gross profit for the six months ended June 30, 2023 was \$105,891, compared to \$108,791 for the comparable period in 2022. The gross profit for the six months ended June 30, 2023 was mostly generated from Meixin catering business and the fish trading business from NTB with the gross profit of \$84,929 and \$20,962, respectively. The decrease was primarily because there was a significant increase in cost of sales from NTB's fish trading business for the six months ended June 30, 2023.

#### **General and administrative expenses**

General and administrative expenses were \$368,667, for the three months ended June 30, 2023, compared to approximately \$437,364 for the comparable period in 2022. This decrease was primarily due to the decrease of audit fees for the three months ended June 30, 2023.

General and administrative expenses were \$1,428,004, for the six months ended June 30, 2023, compared to approximately \$1,298,317 for the comparable period in 2022. This increase was primarily due to the increase of legal, and audit fees for the six months ended June 30, 2023.

#### **Other expense**

Other expense was \$880, for the three months ended June 30, 2023, compared to other income of \$1,999 for the comparable period in 2022. The other income was interest revenue of bank deposits. The other expense was interest expense for a bank loan. The increase was mainly the effect of interest expense recognized for the three months ended June 30, 2023.

Other expense was \$12,388, for the six months ended June 30, 2023, compared to other expense of \$1,999 for the comparable period in 2022. The other income was interest revenue of bank deposits. The other expense was interest expense for a bank loan.

#### **Income tax expense**

During the three months ended June 30, 2023, we recorded an income tax expense of \$nil compared to income tax expense of \$2,161 for the comparable period in 2022. The decrease of income tax expense is because we evaluated the income tax impact from XFC for the period ended June 30, 2022.

During the six months ended June 30, 2023, we recorded an income tax expense of \$nil compared to income tax expense of \$2,170 for the comparable period in 2022. The decrease of income tax expense is because we evaluated the income tax impact from XFC for the period ended June 30, 2022.

#### **Net income attributable to the Company**

Net loss attributable to us (excluding net loss attributable to non-controlling interest) for the three months ended June 30, 2023 was \$311,374 compared to net loss attributable to us (excluding net loss attributable to non-controlling interest) of \$383,977 for the comparable period in 2022. The decrease was primarily due to the decrease of general and administrative expenses for the three months ended June 30, 2023.

Net loss attributable to us (excluding net loss attributable to non-controlling interest) for the six months ended June 30, 2023 was \$1,299,022, compared to a net loss attributable to us (excluding net loss attributable to non-controlling interest) of \$1,189,697 for the comparable period in 2022. The decrease was primarily due to the decrease of general and administrative expenses for the six months ended June 30, 2023.

#### **Liquidity and Capital Resources**

We had net cash used by operating activities for the period ended June 30, 2023 and the cash balance was \$1,116,183 as of June 30, 2023. We believe our current cash balances coupled with anticipated cash flow from operating activities will be sufficient to meet our working capital requirements for at least one year from the date of issuance of the accompanying consolidated financial statements. We continue to control our cash expenses as a percentage of expected revenue on an annual basis and thus may use our cash balances in the short-term to invest in revenue growth. Management is also focused on growing our existing product offering, as well as our customer base, to increase our revenues. Our ability to continue as a going concern is dependent upon our ability to generate cashflows from operations and obtain financing. We cannot give assurance that we can increase our cash balances or limit our cash consumption and thus maintain sufficient cash balances for our planned operations or future acquisitions. Future business demands may lead to cash utilization at levels greater than recently experienced. We may need to raise additional capital in the future. However, we cannot assure that we will be able to raise additional capital on acceptable terms, or at all. Subject to the foregoing, however, management believes that our current cash balances coupled with anticipated cash flow from operating activities will be sufficient to meet our working capital requirements for at least one year from the date of issuance of the accompanying consolidated financial statements.

To date, we have funded our operations through revenues, loans from our officers, and the issuance of equity securities.

Since the net asset balance as of June 30, 2023 was \$5,479,393, there is no substantial doubt as to our ability to continue as a going concern.

## Financings

On August 15, 2022, we consummated a public offering (the "Public Offering") of 1,880,000 units (the "Units") for \$3.50 per Unit pursuant to an effective registration statement on Form S-1, as amended (File No. 333-264059). Each Unit consisted of one share of common stock, par value \$0.001 per share, and one warrant to purchase two shares of common stock (the "Warrants") from the date of issuance until the fifth anniversary of the issuance date for \$3.85 per share of common stock, subject to adjustment in the event of stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the common stock. The shares of common stock and the Warrants comprising the Units were immediately separable and issued separately in the Public Offering. The exercise price of the Warrants will be decreased to the reset price, which means the greater of (i) 50% of the exercise price and (ii) 100% of the last volume weighted average price immediately preceding the 90<sup>th</sup> calendar day following the initial exercise date if, on the date that is 90 calendar days immediately following the initial exercise date, the exercise price is less than the reset price. We have not applied nor intend to apply to have the warrants listed on any exchange. The Public Offering closed on August 15, 2022, and we received total gross proceeds of \$6.58 million. After deducting the underwriting commissions, discounts, and offering expenses, we received net proceeds of approximately \$5.3 million.

In connection with the Public Offering and pursuant to the underwriting agreement between us and the underwriters named therein, we granted the underwriters a 45-day option to purchase up to 282,000 additional shares of common stock and warrants, equivalent to 15% of the Units sold in the Public Offering, at the public offering price per Unit, less underwriting discounts and commissions, to cover over-allotments, if any. On September 23, 2022, the underwriters exercised their option to purchase an additional 282,000 warrants from us for gross proceeds of \$2,820. The warrants were issued to the underwriters on September 26, 2022.

The following table provides detailed information about our net cash flows for the periods indicated:

	For the six months ended June 30,	
	2023	2022
	\$	\$
Net cash used in operating activities	(649,888)	(641,848)
Net cash used in investing activities	(1,057,870)	—
Net cash used in financing activities	(81,034)	(26,845)
Effect of the exchange rate change on cash	(1,100)	(175,220)
Decrease in cash	<u>(1,789,891)</u>	<u>(843,913)</u>

### Net cash used in operating activities

Net cash used in operating activities amounted to \$649,888 for the six months ended June 30, 2023. This reflected a net loss of \$1,334,501, consultancy services settled by equities of \$521,100, depreciation of \$81,608 and share-based compensation of \$132,955.

Net cash used in operating activities amounted to \$641,848 for the six months ended June 30, 2022. This reflected the effect of changes in operating assets and liabilities including decreases in advanced receipts in the amount of \$581,885.

### Net cash used in investing activities

Net cash used in investing activities was \$1,057,870 for the year ended June 30, 2023, which were primarily attributable to the purchase of land and investment funds.

### Net cash used by financing activities

Net cash used by financing activities amounted to \$81,034 for the six months ended June 30, 2023, which was repayment of bank loans.

Net cash used by financing activities amounted to \$26,845 for the six months ended June 30, 2022, which was repayment of bank loans.

Since we plan to build our land-based fish farming demo sites in the U.S., Taiwan, Brazil, Japan and Thailand to promote our fish farming systems to the global market, we expect that we will require additional capital, which includes construction costs, marketing costs, operation costs, etc., to meet our long-term operating requirements. We expect to obtain financing from shareholders or raise additional capital through, among other things, the sale of equity or debt securities. The shareholders are committed to provide additional financing required when we try to raise additional capital from third party investors or banks. However, there can be no assurance that we will be successful in raising this additional capital.

## Business Combinations

We account for business acquisitions in accordance with ASC 805, *Business Combinations*. We measure the cost of an acquisition as the aggregate of the acquisition date fair values of the assets transferred and liabilities assumed and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. We record goodwill for the excess of (i) the total costs of acquisition, fair value of any non-controlling interests and acquisition date fair value of any previously held equity interest in the acquired business over (ii) the fair value of the identifiable net assets of the acquired business.

The acquisition method of accounting requires us to exercise judgment and make estimates and assumptions based on available information regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions and contingencies. We must also refine these estimates over a one-year measurement period, to reflect any new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair value of assets and liabilities in connection with an acquisition, these adjustments could materially impact our results of operations and financial position. Estimates and assumptions that we must make in estimating the fair value of future acquired technology, user lists and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could



record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed, which could materially impact our results of operations.

#### **Recently Issued Accounting Pronouncements**

Please refer to Note 2 above.

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

As a "smaller reporting company," as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information in this Item.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### *Evaluation of Disclosure Controls and Procedures*

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer performed an evaluation (the "Evaluation") of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide a reasonable level of assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, due to the presence of material weaknesses described below, our disclosure controls and procedures were not effective.

The following material weaknesses in our disclosure controls and procedures at June 30, 2023 were:

- ✘ we did not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act of 2002;
- ✘ there were insufficient monitoring and review controls over the financial reporting closing process, including the lack of individuals with current knowledge of GAAP that led to the restatement of our previously issued financial statements; and
- ✘ inadequate segregation of duties.

We believe that these material weaknesses primarily relate, in part, to our lack of sufficient staff with appropriate training in GAAP and SEC rules and regulations with respect to financial reporting functions, and the lack of robust accounting systems, as well as the lack of sufficient resources to hire such staff and implement these accounting systems.

We expect to remediate these material weaknesses in the second half of 2023. However, we may discover additional material weaknesses that may require additional time and resources to remediate. Our remediation process includes, but not limited to:

- ✘ Investing in information technology systems to enhance our operational and financial reporting and internal controls.
- ✘ Enhancing the organizational structure to support financial reporting processes and internal controls.
- ✘ Providing guidance, education and training to employees relating to our accounting policies and procedures.
- ✘ Further developing and documenting detailed policies and procedures regarding business processes for significant accounts, critical accounting policies and critical accounting estimates.
- ✘ Establishing effective general controls over information technology systems to ensure that information produced can be relied upon by process level controls is relevant and reliable.

Notwithstanding the foregoing, there can be no assurance that our disclosure controls and procedures will detect or uncover all failures of persons within our Company and our consolidated subsidiaries to disclose material information otherwise required to be set forth in our periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

##### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

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

We were not subject to any legal proceedings during the six months ended June 30, 2023 and there are currently no legal proceedings, to which we are a party, which could have a material adverse effect on our business, financial condition or operating results.

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

There have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2022, initially filed with the SEC on March 31, 2023.

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

On June 6, 2023, Yin-Chieh Cheng, our former President and Chief Executive Officer, purchased 20,000 shares of our common stock on the open market for an average price of \$1.58 per share.

On June 7, 2023, Yin-Chieh Cheng, our former President and Chief Executive Officer, purchased 23,000 shares of our common stock on the open market for an average price of \$1.59 per share.

The foregoing issuances pursuant to the exemption from the registration requirements of the Securities Act afforded the Company pursuant to Section 4(a)(2) promulgated thereunder since they were isolated issuances and not made in connection with a public offering of securities.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

### Subsequent Events:

As previously reported on a Current Report on Form 8-K filed by the Company with the SEC on July 13, 2023, the Company regrettably announced the unexpected death of Yin-Chieh ("Jeff") Cheng. Jeff had served as the Company's Chief Executive Officer, President and Chairman of the Board since December 27, 2018. It is anticipated that Jeff's shares of common stock and Series A warrants of the Company will be inherited by his mother.

As previously reported on a Current Report on Form 8-K filed by the Company with the SEC on August 8, 2023, the Board of Directors appointed Andy Ching-An Jin as the Company's Chief Executive Officer, effective July 31, 2023.

As previously reported on a Current Report on Form 8-K filed by the Company with the SEC on August 3, 2023, on July 31, 2023, the Company received a letter from the Nasdaq Listing Qualifications Staff ("Staff") of The Nasdaq Stock Market LLC ("Nasdaq") therein stating that due to the resignation of Yih-Yu ("Grace") Lei from the Company's Audit Committee of the Board of Directors, the Company no longer complies with Nasdaq's audit committee requirement as set forth in Listing Rule 5605.

To regain compliance, the Board must appoint an independent director to fill the vacancy on the Audit Committee resulting from Ms. Lei's resignation. Per the Staff's letter and consistent with Nasdaq Listing Rule 5605(c)(4), the Company is required to evidence its compliance with Listing Rule 5605 no later than January 23, 2024 (the "Compliance Period"). In the event the Company does not regain compliance by the Compliance Period, Nasdaq rules require the Staff to provide written notification to the Company that its securities will be delisted. At that time, the Company may appeal the delisting determination to a Nasdaq Hearings Panel.

The Company is currently interviewing and evaluating candidates to serve on the Board and the Audit Committee. The notice from Nasdaq has no immediate effect on the listing of the Company's common stock, and its common stock will continue to be listed on The Nasdaq Capital Market under the symbol "NCRA."

40

## ITEM 6. EXHIBITS

(a) The following exhibits are filed herewith or incorporated by reference herein:

Exhibit No.	Description	Previously Filed and Incorporated by Reference Herein
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of the President and Chief Executive Officer of Nocera, Inc.</a>	*
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer of Nocera, Inc.</a>	*
32.1	<a href="#">Section 1350 Certification of the President and Chief Executive Officer of Nocera, Inc.</a>	**
32.2	<a href="#">Section 1350 Certification of the Chief Financial Officer of Nocera, Inc.</a>	**
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	*
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	*

\* Filed herewith. Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise specifically stated in such filing.

41

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 hereunto duly authorized.

**NOCERA, INC.**

Date: August 21, 2023

By: /s/ Andy Ching-An Jin  
Name: Andy Ching-An Jin  
Title: Chief Executive Officer  
(Principal Executive Officer)

Date: August 21, 2023

By: /s/ Shun-Chih Chuang  
Name: Shun-Chih Chuang  
Title: Chief Financial Officer  
(Principal Financial Officer)  
(Principal Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Andy Ching-An Jin, Chief Executive Officer of Nocera, Inc. (the "Company"), certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2023;

(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 in order 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 the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report;

(4) The Company's other certifying officer 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 Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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

(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 Company'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 Company's internal control over financial reporting.

August 21, 2023

/s/ Andy Ching-An Jin  
Andy Ching-An Jin  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Shun-Chih Chuang, Chief Financial Officer of Nocera, Inc. (the "Company"), certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2023;

(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 in order 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 the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report;

(4) The Company's other certifying officer 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 Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the 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 Company'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 Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

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

(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 Company'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 Company's internal control over financial reporting.

August 21, 2023

/s/ Shun-Chih Chuang  
Shun-Chih Chuang  
Chief Financial Officer  
(Principal Financial Officer)  
(Principal Accounting Officer)

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

In connection with the Quarterly Report on Form 10-Q of Nocera, Inc. (the "Company") for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Andy Ching-An Jin, Chief Executive Officer of the Company 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 operations of the Company.

/s/ Andy Ching-An Jin  
Andy Ching-An Jin  
Chief Executive Officer  
(Principal Executive Officer)

August 21, 2023

**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 on Form 10-Q of Nocera, Inc. (the "Company") for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Shun-Chih Chuang, Chief Financial Officer of the Company 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 operations of the Company.

/s/ Shun-Chih Chuang  
Shun-Chih Chuang  
Chief Financial Officer  
(Principal Financial Officer)  
(Principal Accounting Officer)

August 21, 2023