

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 SEPTEMBER 30, 2022

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:

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 9,018,587 shares outstanding of the registrant's common stock, par value \$0.001 per share, as of September 30, 2022.

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## 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,” “anticipate,” “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 for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission (“SEC”) on March 23, 2022.

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)

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,203,592	2,444,009
Accounts receivable, net	609,400	699,555
Inventories	215,171	1,488,681
Advances to suppliers	56,941	42,969
Prepaid expenses and other assets, net	16,851	107,444
Due from a related party	1,826,772	1,615,217
<b>Total current assets</b>	<b>4,928,727</b>	<b>6,397,875</b>
<b>Non-current assets</b>		
Retention receivables	–	69,489
Property and equipment, net	912,286	71,245
Goodwill	4,373,100	332,040
<b>Total non-current assets</b>	<b>5,285,386</b>	<b>472,774</b>
<b>TOTAL ASSETS</b>	<b>10,214,113</b>	<b>6,870,649</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes payable	–	92,112
Accounts payable	567,127	17,442
Other payables and accrued liabilities	36,376	142,426
Advance receipts	–	1,051,121
Due to related parties	18,252	39,341
Warrant liability	4,009,340	312,320
Dividend payable	6,312	6,312
Income tax payable	33,108	387,319
Bank borrowing	–	52,292
<b>Total current liabilities</b>	<b>4,670,515</b>	<b>2,100,685</b>
<b>TOTAL LIABILITIES</b>	<b>4,670,515</b>	<b>2,100,685</b>
<b>Commitments and contingencies</b>	<b>–</b>	<b>–</b>
<b>EQUITY</b>		
Common stock (\$0.001 par value; authorized 200,000,000 shares; 9,018,587 shares issued and outstanding as of September 30, 2022 and 7,071,920 shares issued and outstanding as of December 31, 2021, respectively) (1)	9,018	7,071
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 September 30, 2022 and December 31, 2021)	80	80
Additional paid-in capital (1)	17,259,182	14,476,241
Statutory and other reserves	191,219	191,219
(Accumulated losses) Retained earnings	(11,973,740)	(9,918,553)
Accumulated other comprehensive loss	(11,663)	13,906
<b>TOTAL NOCERA, INC.'S STOCKHOLDERS' EQUITY</b>	<b>5,474,096</b>	<b>4,769,964</b>
Non-controlling interests	69,502	–
<b>TOTAL STOCKHOLDER EQUITY</b>	<b>5,543,598</b>	<b>4,769,964</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER EQUITY</b>	<b>10,214,113</b>	<b>6,870,649</b>

(1) On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the stock split.

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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net sales	1,374,417	18,366	6,478,075	2,865,399
Cost of sales	(1,365,624)	(70,502)	(6,360,491)	(2,495,401)
<b>Gross profit (loss)</b>	<u>8,793</u>	<u>(52,136)</u>	<u>117,584</u>	<u>369,998</u>
<b>Operating expenses</b>				
General and administrative expenses	(880,006)	(239,462)	(2,178,323)	(809,688)
<b>Total operating expenses</b>	<u>(880,006)</u>	<u>(239,462)</u>	<u>(2,178,323)</u>	<u>(809,688)</u>
<b>Loss from operations</b>	(871,213)	(291,598)	(2,060,739)	(439,690)
Other income (expense)	7,898	(85)	9,897	(3,797)
<b>Loss before income taxes</b>	<u>(863,315)</u>	<u>(291,683)</u>	<u>(2,050,842)</u>	<u>(443,487)</u>
Income tax benefit (expense)	2,592	16,560	422	(54,279)
<b>Net loss</b>	<u>(860,723)</u>	<u>(275,123)</u>	<u>(2,050,420)</u>	<u>(497,766)</u>
Less: Net income attributable to non-controlling interests	4,767	—	4,767	—
<b>Net loss attributable to the company</b>	<u>(865,490)</u>	<u>(275,123)</u>	<u>(2,055,187)</u>	<u>(497,766)</u>
<b>Comprehensive (loss) income</b>				
Net loss	(860,723)	(275,123)	(2,050,420)	(497,766)
Foreign currency translation gain (loss)	(6,343)	384	(25,569)	47,059
<b>Total comprehensive loss</b>	<u>(867,066)</u>	<u>(274,739)</u>	<u>(2,075,989)</u>	<u>(450,707)</u>
Less: comprehensive loss attributable to non-controlling interest	4,767	—	4,767	—
<b>Comprehensive loss attributable to the Company</b>	<u>(871,833)</u>	<u>(274,739)</u>	<u>(2,080,756)</u>	<u>(450,707)</u>
<b>Loss per share</b>				
Basic (1)	<u>(0.1069)</u>	<u>(0.0449)</u>	<u>(0.2757)</u>	<u>(0.0811)</u>
Diluted (1)	<u>(0.1069)</u>	<u>(0.0449)</u>	<u>(0.2757)</u>	<u>(0.0811)</u>
<b>Weighted average number of common shares outstanding (1)</b>				
Basic (1)	<u>8,099,021</u>	<u>6,121,651</u>	<u>7,455,656</u>	<u>6,140,694</u>
Diluted (1)	<u>8,099,021</u>	<u>6,121,651</u>	<u>7,455,656</u>	<u>6,140,694</u>

(1) On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the stock split.

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)**

	<u>2022</u>	<u>2021</u>
	\$	\$
Cash flows from operating activities:		
Net loss	(2,050,420)	(497,766)
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation expenses	975	4,846
Deferred income tax	—	2,294
Share-based compensation	812,898	317,430
Changes in operating assets and liabilities:		
Accounts receivable, net	168,095	(159,417)
Inventories	1,313,297	(1,280,808)
Advance to suppliers	(6,114)	(135,829)
Prepaid expenses and other assets, net	354,172	(16,835)
Retention receivables	70,305	243,273
Notes payable	(93,194)	51,571
Accounts payable	532,240	2,696
Advance receipts	(1,063,468)	1,646,513
Warrant Liability	—	312,320
Other payables and accrued liabilities	(133,280)	2,160
Income tax payable	(363,031)	7,260
Amount due from a related party	(211,555)	(536,109)
Net cash used in operating activities	<u>(669,080)</u>	<u>(36,401)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(836,404)	(25,062)
Net cash outflow upon acquisition of a subsidiary	(4,292,176)	—
Net cash used in investing activities	<u>(5,128,580)</u>	<u>(25,062)</u>
Cash flows from financing activities:		
Repayment of bank borrowing	(52,906)	(301,703)
Proceeds from issuance of common stock	5,664,244	215
Net cash provided (used) in financing activities	<u>5,611,338</u>	<u>(301,488)</u>
Effect of exchange rate changes on cash and cash equivalents	(54,095)	15,160
Net decrease in cash and cash equivalents	(240,417)	(347,791)
Cash and cash equivalents at beginning of period	2,444,009	1,023,531
Cash and cash equivalents at end of period	<u>2,203,592</u>	<u>675,740</u>
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 Paid-in	Statutory and other	Retained	Accumulated Other Comprehensive	Total Nocera Inc.'s Stockholders' Equity	Non-controlling	Total Stockholders' Equity
	Stock <sup>(1)</sup>	Amount <sup>(1)</sup>	Stock	Amount	Capital (1)	Reserves	Earnings	Loss	(Deficit)	Interests	(Deficit)
Balance, January 1, 2021	6,088,343	6,088	—	—	2,696,017	191,219	(293,162)	(49,770)	2,550,392	—	2,550,392
Foreign currency translation adjustments	—	—	—	—	—	—	—	(1,669)	(1,669)	—	(1,669)
Share-based compensation	—	—	—	—	103,155	—	—	—	103,155	—	103,155
Net loss	—	—	—	—	—	—	49,490	—	49,490	—	49,490
Balance, March 31, 2021	6,088,343	6,088	—	—	2,799,172	191,219	(243,672)	(51,439)	2,701,368	—	2,701,368
Foreign currency translation adjustments	—	—	—	—	—	—	—	48,344	48,344	—	48,344
Share-based compensation	—	—	—	—	103,321	—	—	—	103,321	—	103,321
Net loss	—	—	—	—	—	—	(272,133)	—	(272,133)	—	(272,133)
Balance, June 30, 2021	6,088,343	6,088	—	—	2,902,493	191,219	(515,805)	(3,095)	2,580,900	—	2,580,900
Foreign currency translation adjustments	—	—	—	—	—	—	—	384	384	—	384
Share-based compensation	57,576	58	—	—	103,430	—	—	—	103,488	—	103,488
Common stock and warrant issuance	32,000	32	—	—	2,848	—	—	—	2,880	—	2,880
Preferred stock and warrant issuance	—	—	80,000	80	29,520	—	—	—	29,600	—	29,600
Changes in fair value of warranty liabilities	—	—	—	—	(24,800)	—	—	—	(24,800)	—	(24,800)
Net loss	—	—	—	—	—	—	(275,123)	—	(275,123)	—	(275,123)
Balance, September 30, 2021	6,177,919	\$ 6,178	80,000	\$ 80	\$ 3,013,491	\$ 191,219	\$ (790,928)	\$ (2,711)	\$ 2,417,329	\$ —	\$ 2,417,329
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	—	—	—	—	103,321	—	—	—	103,321	—	103,321
Net loss	—	—	—	—	—	—	(383,977)	—	(383,977)	—	(383,977)
Balance, June 30, 2022	7,138,587	7,138	80,000	80	15,185,650	191,219	(11,108,250)	(5,320)	4,270,517	—	4,270,517
Foreign currency translation adjustments	—	—	—	—	—	—	—	(6,343)	(6,343)	—	(6,343)
Share-based compensation	—	—	—	—	103,488	—	—	—	103,488	—	103,488
Purchase of non-controlling interest	—	—	—	—	—	—	—	—	—	64,735	64,735
Common stock issuance	1,880,000	1,880	—	—	1,970,044	—	—	—	1,971,924	—	1,971,924
Net loss	—	—	—	—	—	—	(865,490)	—	(865,490)	4,767	(860,723)
Balance, September 30, 2022	9,018,587	9,018	80,000	80	17,259,182	191,219	(11,973,740)	(11,663)	5,474,096	69,502	5,543,598

(1) On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the stock split.

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., a Nevada corporation (“Nocera”), 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. (“MIFD”), and Xin Feng Construction Co., Ltd. (“XFC”) that is controlled through contractual arrangements. Nocera, GSI, GZ GST, MIFD and XFC 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.

The Company conducts its operations through (i) Xin Feng Construction Co., Ltd., a Taiwan limited liability company (“XFC”); (ii) Nocera Taiwan Branch, an unincorporated division of the Company (“NTB”); and (iii) Meixin Institutional Food Development Co. Ltd. The Company’s other subsidiaries, Grand Smooth Inc. Limited, a Hong Kong limited company (“GSI”), which wholly-owns Guizhou Grand Smooth Technology Ltd., a People’s Republic of China (PRC) corporation (“GZ GST”), are dormant and do not have any operations. The Company intends to keep such entities dormant and not conduct any operations in the PRC or Hong Kong.

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 a 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 VIE Agreements

On December 31, 2020, Nocera and XFC, a domestic funded limited liability company registered in Taiwan (R.O.C.), entered into a series of contractual agreements (“VIE Agreements”) whereby Nocera agreed to provide technical consulting and related services to XFC. As a result, Nocera has been determined to be the primary beneficiary of XFC and XFC became a variable interest entity (“VIE”) of Nocera.

On December 31, 2020, Nocera exchanged 700,000 shares of the Company’s restricted common stock to shareholders of XFC in exchange for 100% controlling interest in XFC.

The VIE structure was adopted mainly because we engage in business in an industry that prohibits foreign investment (e.g., construction) and which requires special licenses in Taiwan. We are not currently planning to engage in business in mainland China or Hong Kong, and as a result, we are not currently required to obtain any special licenses in mainland China or Hong Kong. Nocera has entered into the following contractual arrangements with a stockholder of XFC, that enable the Company to (i) have the power to direct the activities that most significantly affect the economic performance of XFC, and (ii) receive the economic benefits of XFC that could be significant to XFC. The Company is fully and exclusively responsible for the management of XFC, assumes all of the risks of losses of XFC and has the exclusive right to exercise all voting rights of XFC’s stockholders. Therefore, in accordance with ASC 810 “Consolidation,” the Company is considered the primary beneficiary of XFC and has consolidated XFC’s assets, liabilities, results of operations, and cash flows in the accompanying consolidated financial statements.

(1) *Voting Rights Proxy Agreement & Power of Attorney.* Mr. Tsai, Wen-Chih, Ms. Tu, Hui-Min, Mr. Tsai, Chin-Yao, and Mr. Tsai, Chin-Chao (“Existing Stockholders”) have irrevocably authorized Nocera or the individual then designated by Nocera (“Attorney”) to exercise, on his or her behalf, the following rights available to them in their capacity as a stockholder of XFC under the then effective articles of association of XFC (collectively, “Powers”): (a) to propose the convening of, and attend, stockholders’ meetings in accordance with the articles of association of XFC on behalf of the Existing Stockholders; (b) to exercise voting rights on behalf of the Existing Stockholders on all matters required to be deliberated and resolved by the stockholders’ meeting, including without limitation the appointment and election of the directors and other executives to be appointed and removed by the stockholders of XFC and the sale or transfer of all or part of the equity held by stockholders of XFC; (c) to exercise other stockholders’ voting rights under the articles of association of XFC (including any other stockholders’ voting rights stipulated upon an amendment to such articles of association); (d) other voting rights that stockholders shall enjoy under Taiwan (R.O.C.) laws, as amended, revised, supplemented and re-enacted, no matter whether they take effect before or after the conclusion of the Voting Rights Proxy Agreement. The Existing Stockholders will not revoke the authorization and entrustment accorded to the Attorney other than in the case where Nocera gives the Existing Stockholders a written notice requesting the replacement of the Attorney, in which event the Existing Stockholders will immediately appoint such other person as then designated by Nocera to exercise the foregoing Powers and such new authorization and entrustment shall supersede, immediately upon its grant, the original authorization, and entrustment.

(2) *Exclusive Business Cooperation Agreement.* Nocera agrees to provide technical consulting and services including management consulting services, general and financial advisory services and various general and administrative services, for the specific content thereof (hereinafter referred to as the “Target Business”) to XFC as the technical consulting and service provider of XFC in accordance with the conditions set forth in, and during the term of, the Exclusive Business Cooperation Agreement. XFC agreed to accept the technical consulting and services provided by Nocera. XFC further agreed that, without the prior written consent of Nocera, during the term of the Exclusive Business Cooperation Agreement, it will not accept any technical consulting and services identical or similar to the Target Business that are provided by any third party.

(3) *Equity Pledge Agreement.* Under the Equity Interest Pledge Agreement between Nocera and the Existing Stockholders, the Existing Stockholders pledged all of their equity interests in XFC to Nocera to guarantee the performance of XFC’s obligations under the Exclusive Business Cooperation Agreement. Under the terms of the Equity Pledge Agreement, in the event that XFC or the Existing Stockholders breach their respective contractual obligations under the Exclusive Business Cooperation Agreement, Nocera, as pledgor, will be entitled to certain rights, including, but not limited to, the right to collect dividends generated by the pledged equity interests. Zhang Bi also agreed that upon the occurrence of any event of default, as set forth in the Equity Pledge Agreement, Nocera is entitled to claim indemnity.

(4) *Exclusive Call Option Agreement.* XFC and the Existing Stockholders have entered into an Exclusive Call Option Agreement with Nocera. Under the Exclusive Call Option Agreement, the Existing Stockholders irrevocably granted Nocera (or its designee) an exclusive option to purchase, to the extent permitted under Taiwan (R.O.C.) law, part or all of their equity interests in XFC. According to the Exclusive Call Option Agreement, the purchase price shall be the minimum price permitted by applicable Taiwan (R.O.C.) law at the time when such share transfer occurs.

XFC will shift focus to support the construction activities of land-based recirculation aquaculture systems (“RASs”) fish farms of our clients and the development of the Company-owned and operated fish farms.

On September 7, 2022, we entered into a series of contractual agreements (collectively, the “VIE Agreements”) with the majority stockholder (the “Selling Stockholder”) of Meixin Institutional Food Development Co., Ltd., a Taiwan corporation (“Meixin”), and Meixin. The VIE Agreements essentially conferred control and management of Meixin as well as substantially all of the economic benefits of the Selling Stockholder in Meixin to us. Meixin, a food processing and catering company established in 2003, is engaged in the production of hot and frozen meals, bento boxes, group meals and processing of vegetables and fruits for other companies in the food industry. Pursuant to the VIE Purchase Agreement that we entered into with the Selling Stockholder and Meixin, we purchased the Selling Stockholder’s 80% controlling interest of Meixin for a purchase price of US\$4,300,000 paid in cash. We also entered into the Voting Rights Proxy Agreement, Equity Pledge Agreement and Exclusive Call Option Agreement with Meixin and the Selling Stockholder and the Exclusive Business Cooperation Agreement with Meixin.

## **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, 2021 filed with the SEC on March 23, 2022.

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 September 30, 2022, its consolidated results of operations for the nine months ended September 30, 2022, cash flows for the nine months ended September 30, 2022 and change in equity for the nine months ended September 30, 2022, as applicable, have been made. Operating results for the nine months ended September 30, 2022 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 99% of the Company’s total revenue for the nine months ended September 30, 2021. There were four customers who represent 83% of the Company’s total revenue for the nine months ended September 30, 2022.

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

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	(Unaudited)	(Audited)
Percentage of the Company’s accounts receivable		
Customer A	17.17%	16.37%
Customer B	44.05%	59.53%
Customer C	16.31%	16.30%
Customer D	14.57%	7.8%
	<u>92.10%</u>	<u>100.00%</u>

## 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 goods sold with a period varying from 18 months to 72 months, a majority of which are 18 months, and an exclusive sales agency license to its customers. For performance obligations 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 September 30, 2022 and December 31, 2021, accounts receivable consisted of the following:

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
Accounts receivable	609,400	699,555
Less: Allowance for doubtful accounts	—	—
<b>Total</b>	<b>609,400</b>	<b>699,555</b>

For the nine months ended September 30, 2022 and for the year ended December 31, 2021, the Company has recorded provision for doubtful accounts of nil.

**Note 4 INVENTORIES**

As of September 30, 2022 and December 31, 2021, inventories consisted of the following:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
	\$	\$
Raw materials	102,613	97,163
Work in process	112,558	1,391,518
<b>Total</b>	<u>215,171</u>	<u>1,488,681</u>

**Note 5 PREPAID EXPENSES AND OTHER ASSETS, NET**

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
	\$	\$
Other receivables from third party	16,851	107,444
<b>Prepaid expenses and other assets, net</b>	<u>16,851</u>	<u>107,444</u>

**Note 6 PROPERTY AND EQUIPMENT, NET**

As of September 30, 2022 and December 31, 2021, property and equipment consisted of the following:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
	\$	\$
Equipment	922,201	78,802
Less: Accumulated depreciation	(9,915)	(7,557)
<b>Property and equipment, net</b>	<u>912,286</u>	<u>71,245</u>

Depreciation expenses for the nine months ended September 30, 2022 and 2021 were \$975 and \$4,846, respectively, and \$(266) and \$1,255 for the three months ended September 30, 2022 and 2021, respectively.

**Note 7 GOODWILL**

As of September 30, 2022 and December 31, 2021, goodwill consisted of the following:

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
	\$	\$
Goodwill - XFC	332,040	332,040
Goodwill - Meixin	4,041,060	—
Less: Accumulated amortization	—	—
<b>Goodwill, net</b>	<u>4,373,100</u>	<u>332,040</u>

## Note 8 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.

In connection with the Public Offering and pursuant to a registration statement on Form S-1, amended (File No. 333-264059), originally filed with the Securities and Exchange Commission (the "SEC") on April 1, 2022, and declared effective by the SEC on August 10, 2022 (the "Registration Statement"), the public offering price of each Unit was \$3.50, and each unit consisting of one share of common stock and a warrant to purchase two shares of common stock from the date of issuance until the fifth anniversary of the date of issuance. The Shares and the Warrants comprising the Units were immediately separable and issued separately in the Offering, which closed on August 15, 2022.

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 exercise price of the Warrants shall 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 90th calendar day following the initial issuance date (the greater of (i) and (ii), the "Reset Price") if, on the date that is 90 calendar days immediately following the initial issuance date, the Reset Price is less than the exercise price on that date.

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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	\$	\$
Balance at the beginning of period	312,320	—
Warrants issued to investors	3,214,800	287,520
Warrants issued to underwriter	482,220	—
Warrants redeemed	—	—
Fair value change of warrants included in earnings	—	24,800
<b>Total</b>	<b>4,009,340</b>	<b>312,320</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, 2022	256,000	3.75	2.66
Exercisable at January 1, 2022	256,000	3.75	2.66
Granted	2,162,000	1.93	4.98
Exercised / surrendered	–	–	–
Expired	–	–	–
Outstanding at September 30, 2022	2,418,000	2.12	4.73
Exercisable at September 30, 2022	2,418,000	2.12	4.73

#### Note 9 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 development of advanced technology for water circulation in fish farming containers with original lease periods expiring between 2022 and 2023. After one year from the effective date of the lease, the Company has the option to terminate the lease or extend the term of the lease. The Company recognizes rental expense on a straight-line basis over the lease term.

The components of lease expense for the nine months ended September 30, 2022 and September 30, 2021 were as follows:

	Statement of Income Location	Nine months ended September 30, 2022 (Unaudited) \$	Nine months ended September 30, 2021 (Unaudited) \$
<b>Lease Costs</b>			
Operating lease expense	General and administrative expenses	35,329	3,318
Total net lease costs		35,329	3,318

Maturity of lease liabilities under our non-cancelable operating leases as of December 31, 2021 and September 30, 2022 are US\$ nil.

#### Note 10 OTHER PAYABLES AND ACCRUED LIABILITIES

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
VAT payable	–	40,023
Salary payable	7,870	89,775
Others	28,506	12,628
<b>Total</b>	36,376	142,426

## Note 11 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.

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 27 March 2020. The CARES Act temporarily eliminates the 80% taxable income limitation (as enacted under the Tax Cuts and Jobs Act of 2017) for net operating loss (“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 2021, 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 the U.S. 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 was 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) for corporations. Assessable profits above HK\$2 million (approximately \$257,931) will continue to be subject to the rate of 16.5% for corporations. Because 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, 2021, 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 this loss carryforward 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 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, 2021. 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.

### 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 earnings tax, or a surtax, decreased from 10% to 5% effective from January 1, 2018. As a result, the statutory income tax rate in Taiwan was 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:

(Unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Current	(2,592)	(16,560)	(422)	51,964
Deferred	—	—	—	2,315
<b>Total income tax expense</b>	<b>(2,592)</b>	<b>(16,560)</b>	<b>(422)</b>	<b>54,279</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:

(Unaudited)	Nine months ended September 30,	
	2022	2021
Taiwan (2021-PRC) income tax statutory rate	20.00%	25.00%
Impact of different tax rates in other jurisdictions	1.19%	(2.25%)
Tax effect of non-deductible expenses	(9.19%)	0.22%
Tax effect of non-deductible share based compensation	(3.65%)	—
Tax effect of non-taxable income	—	0.22%
Utilization of tax losses	—	0.22%
Others	0.04%	—
Changes in valuation allowance	(8.57%)	(68.11%)
<b>Effective tax rate</b>	<b>(0.18%)</b>	<b>(44.70%)</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:

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
<b>Deferred tax assets</b>		
Tax loss carried forward	—	—
Allowance for doubtful receivables	—	—
Total deferred tax assets	—	—
Valuation allowance	—	—
<b>Total deferred tax assets, net</b>	<b>—</b>	<b>—</b>
	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
<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 September 30, 2022 and December 31, 2021 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.

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
<b>Balance at beginning of the year</b>	95,844	—
Additions of valuation allowance	43,102	95,844
Reductions of valuation allowance	—	—
<b>Balance at the end of the year</b>	<b>138,946</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, 2021, 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 September 30, 2022, 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 12 RELATED PARTY BALANCES AND TRANSACTIONS

### *Due to related parties*

The balance due to related parties was as follows:

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
Mr. Yin-Chieh Cheng (1)	10,571	—
Mountain Share Transfer, LLC (2)	7,681	39,341
<b>Total</b>	<b>18,252</b>	<b>39,341</b>

### *Due from a related party*

The balance due from a related party was as follows:

	September 30, 2022 (Unaudited) \$	December 31, 2021 (Audited) \$
JC Development Co. Ltd. (3)	1,826,772	1,615,217

Note:

- (1) Mr. Yin-Chieh Cheng (“Mr. Cheng”) is the chairman of the Company, and he holds 42.5% shares of the Company. The balance due to Mr. Cheng as of June 30, 2022 mainly represented the amount paid by Mr. Cheng on behalf of the Company.
- (2) Mountain Share Transfer, LLC is a company 100% controlled by Erik S. Nelson, a greater than 5% stockholder of the Company at June 30, 2022. The balances represented the amount paid on behalf of the Company for its daily operation purpose. On December 22, 2021, Erik Nelson resigned as Director and Corporate Secretary of the Company.
- (3) JC Development Co. Ltd. is a partner of XFC, a variable interest entity of the Company. The Company took over the receivable amount of \$877,809 from the acquisition of XFC in December 2020. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

### **Note 13 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 September 30, 2022 and December 31, 2021, issued common stock were 9,018,587 shares and 7,071,920, 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 \$3.5 each. 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 14 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 (i.e., 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 Class A warrants and 60,000 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 Class A warrants with an exercise price of \$0.50 per share. The Class A warrants consist of the right to purchase one share of Company common stock 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 Class A warrants with an exercise price of \$0.50 per share and 50,000 Class B warrants with exercise price of \$1.00 per share. Mr. Littman exercised 50,000 Class A warrants and 50,000 Class B warrants on August 11, 2021. The Class A warrants consist of the right to purchase one share of Company common stock for \$0.50 per share from the date of issuance until April 23, 2026. The Class B warrants consist of the right to purchase one share of common stock 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 Class A warrants and 60,000 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 Class A warrant with an exercise price of \$0.50 per share. The Class A warrants consist of the right to purchase one share of Company common stock for \$0.50 per share from the date of issuance until April 23, 2026.

On December 31, 2021, 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 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:

	<b>Before Reverse Stock Split</b>	<b>After Reverse Stock Split</b>
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:

	<b>September 30, 2022 (Unaudited)</b>	<b>December 31, 2021 (Audited)</b>
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%

In connection with the Public Offering and pursuant to the underwriting agreement between us and the representatives named therein, On August 15, 2022, we granted the representatives to purchase a total of 94,000 shares, 5% of 1,880,000 shares of our common stock sold in this offering, at an exercise price equal to \$3.85, 110% of the offering price per unit, exercisable after the 180<sup>th</sup> day after the commencement of sales of units in this offering until the four and half year anniversary of initial issuance date.

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 the 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 nine months ended September 30, 2022 and year ended December 31, 2021, \$812,898 and \$9,683,016 share-based compensation expenses were recognized into additional paid-in capital of the Company, respectively.

As of December 31, 2021, 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 15 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 16 LOSS PER SHARE

The following table sets forth the computation of basic and diluted (loss) income per common share for the three and nine months ended September 30, 2022 and 2021.

(Unaudited)	For three months ended September 30,		For nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Numerator:				
Net loss attributable to the Company	(865,490)	(275,123)	(2,055,187)	(497,766)
Denominator:				
Weighted-average shares outstanding				
- Basic (1)	8,099,021	6,121,651	7,455,656	6,140,694
- Diluted (1)	8,099,021	6,121,651	7,455,656	6,140,694
Loss per share:				
- Basic (1)	(0.1069)	(0.0449)	(0.2757)	(0.0811)
- Diluted (1)	(0.1069)	(0.0449)	(0.2757)	(0.0811)

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

(1) On August 11, 2022, the Company effected a 2:3 reverse stock split for each share of common stock issued and outstanding. All shares and associated amounts have been retroactively restated to reflect the stock split.

## NOTE 17 BUSINESS COMBINATION

Meixin Institutional Food Development Company Limited

On September 7, 2022, the Company acquired 80% shares of Meixin. The fair values of assets acquired and liabilities assumed were as follows:

Cash and bank balance	\$	7,824
Trade receivables		10,646
Inventory		14,225
Plant and equipment, net		872,939
Other payables and accrued liabilities		(581,959)
Net assets value		<u>323,675</u>
Net assets acquired @ 80%		258,940
Goodwill		4,041,060
Purchases price	\$	<u><u>4,300,000</u></u>

## Note 18 SUBSEQUENT EVENT

The exercise price of the Warrants was subsequently decreased from offering price of \$3.85 each to the reset price of \$1.925 each on November 14, 2022.

The Company has evaluated subsequent events through the issuance of the unaudited condensed consolidated financial statements and except for the above event, there are no other subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

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

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 for the year ended December 31, 2021, filed with the SEC on March 23, 2022. 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 (“RASs”) 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, we sell food (e.g., our seafood porridge bowl) through our flagship bento box store located at the Xinmin Street next to the Nangang Software Park in Taiwan.

In October 2020, the government of Taiwan began supporting the Green Power and Solar Sharing Fish Farms initiative. In light 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. Since then, we only conduct operations in 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, Nocera and Xin Feng Construction Co., Ltd. (“XFC”), a funded limited liability company registered in Taiwan (R.O.C.), entered into a series of contractual agreements, whereby Nocera agreed to provide technical consulting and related services to XFC. As a result, Nocera has been determined to be the primary beneficiary of XFC and XFC became a variable interest entity of Nocera, and XFC will shift focus to support the construction activities of RASs fish farms of our clients and the development of the Company-owned and operated fish farms.

In 2021, we established a Nocera Taiwan Branch (“NTB”) to focus on customers in a variety of sectors, such as individual investors, government supported or funded companies and international customers. We have received interest from areas such as Japan, Thailand, Jordan, South Africa and the United States.

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 the 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 and we are in the process of acquiring land in Alabama in order to build RASs for fish farming in the U.S.

We employ a sales and marketing strategy targeting the 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 will be 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 and develop fish farms in Taiwan, the U.S., and Brazil. 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 in the Americas and European countries as well.

We also intend to build fish farming demo sites in Taiwan by the end of 2022 and the United States in 2023 to promote our fish farming systems to the global market.

### **Business Developments**

The following highlights material business developments in our business during the quarter ended September 30, 2022:

- Ÿ In the third quarter of 2022, our total revenues totaled approximately \$1,374,417 as compared to approximately \$18,366 in the same period in 2021.
- Ÿ In September 2022, we announced that our seafood porridge bowl will be launched at Ning Xia Night Market with a soft opening on September 26, 2022. We selected Nan Kang District of Taipei City for our flagship bento box store to serve grilled eel rice and super value bento boxes. The target date for the official opening of our flagship bento store is December 1, 2022.
- Ÿ In the third quarter of 2022, we raised a total of approximately \$6.58 million in gross proceeds in registered equity offerings.

### **Recent Developments**

On April 1, 2022, we filed a registration statement on Form S-1, as amended (File No. 333-264059), with the SEC relating to the firm commitment public offering of units (the “Public Offering”), each unit consisting of one share of common stock and a warrant to purchase two shares of common stock from the date of issuance until the fifth anniversary of the date of issuance. In connection with the public offering and listing on The Nasdaq Stock Market LLC, on July 26, 2022, we filed a Certificate of Amendment with the Secretary of State of Nevada to effectuate a 2-for-3 reverse stock split of our outstanding common stock, with fractional shares resulting from the reverse stock split being rounded up the nearest whole number. On August 10, 2022, the SEC declared the registration statement effective under the Securities Act, and on August 11, 2022, our common stock commenced trading on The Nasdaq Capital Market under the symbol “NCRA” on a post-reverse stock split basis. 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.

On September 7, 2022, we entered into a series of contractual agreements (collectively, the “VIE Agreements”) with the majority stockholder (the “Selling Stockholder”) of Meixin Institutional Food Development Co., Ltd., a Taiwan corporation (“Meixin”), and Meixin. The VIE Agreements essentially conferred control and management of Meixin as well as substantially all of the economic benefits of the Selling Stockholder in Meixin to us. Meixin, a food processing and catering company established in 2003, is engaged in the production of hot and frozen meals, bento boxes, group meals and processing of vegetables and fruits for other companies in the food industry. Pursuant to the VIE Purchase Agreement that we entered into with the Selling Stockholder and Meixin, we purchased the Selling Stockholder’s 80% controlling interest of Meixin for a purchase price of US\$4,300,000 paid in cash. We also entered into the Voting Rights Proxy Agreement, Equity Pledge Agreement and Exclusive Call Option Agreement with Meixin and the Selling Stockholder and the Exclusive Business Cooperation Agreement with Meixin.

On September 8, 2022, we entered into a real estate purchase agreement with an unaffiliated third party pursuant to which we agreed to purchase 229 contiguous acres of land located in Montgomery County, Alabama (the “Alabama Land”). We paid an earnest deposit of \$10,000 on the land with the balance of \$865,000 payable at closing. We intend to build RASs on the land for fish farming. The property includes a house, a manufactured home and a building site with sewer and power which we intend to develop into an office and dormitory for future employees. As of September 30, 2022, we have not yet closed the purchase of the Alabama Land.

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.

## ***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 illegal military invasion of 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.

Recently, Russia initiated significant military action against Ukraine. In response, the U.S. and certain other countries imposed significant sanctions and export controls against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business, and financial organizations, and the U.S. and certain other countries could impose further sanctions, trade restrictions, and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of the conflict, including related geopolitical tensions, and the measures and retaliatory actions taken by the U.S. and other countries in respect thereof as well as any counter measures or retaliatory actions by Russia or Belarus in response, including, for example, potential cyberattacks or the disruption of energy exports, is likely to cause regional instability, geopolitical shifts, and could materially adversely affect global trade, currency exchange rates, regional economies and the global economy. The situation remains uncertain, and while it is difficult to predict the impact of any of the foregoing, the conflict and actions taken in response to the conflict could increase our costs, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition, and results of operations.

### **Effects of the COVID-19 Pandemic**

The current outbreak of COVID-19 has globally resulted in the loss of life, business closures, restrictions on travel, and widespread cancellation of social gatherings. The initial spread of COVID-19 in Asia caused some business disruption resulting in reduced net revenue in December 2019. There continues to be considerable uncertainty around the duration of the pandemic and its resultant economic effects. Therefore, we expect this matter to negatively impact our operating results for the foreseeable future.

The extent to which the COVID-19 pandemic 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 the outbreak;
- the severity of travel restrictions imposed by geographic areas in which we operate, mandatory or voluntary business closures;
- regulatory actions taken in response to the pandemic, 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 the COVID-19 outbreak or treat its impact.

In addition, the current outbreak of COVID-19 has resulted 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 the COVID-19 pandemic 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 the COVID-19 pandemic and the actions taken by government authorities and other entities to contain the COVID-19 pandemic or treat its impact, almost all of which are beyond our control. If the disruptions posed by the COVID-19 pandemic 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 the COVID-19 pandemic 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 for the fiscal year ended December 31, 2021 filed with the SEC on March 23, 2022.

### ***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.

### ***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.

Management of the Company 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 September 30, 2022 and 2021 were \$2,203,592 and \$675,740, 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
Furniture and fixture	5 years
Equipment	3 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.

## ***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 September 30, 2022, consolidated results of operations for the period ended September 30, 2022, cash flows for the year period ended September 30, 2022 and change in equity for the period ended September 30, 2022, 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 we determine 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 promised goods and providing maintenance services 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 services 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 an exclusive sales agency license to our customers. For performance obligations related to providing products, we expect to recognize the revenue according to the delivery of products. For performance obligations 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 licenses, 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 arrangements. 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 December 31, 2021 and 2020, 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 September 30, 2022 and 2021 were 7.1523 and 6.4698, respectively. The annual average exchange rates for the year ended December 31, 2021 and 2020 are 6.3700 and 6.8996, 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 common stock were exercised or converted into common stock.

### ***Results of Operations***

The following table sets forth our unaudited consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021.



## Consolidated Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$	\$	\$	\$
Net sales	1,374,417	18,366	6,478,075	2,865,399
Cost of sales	(1,365,624)	(70,502)	(6,360,491)	(2,495,401)
<b>Gross profit</b>	<b>8,793</b>	<b>(52,136)</b>	<b>117,584</b>	<b>369,998</b>
<b>Operating expenses</b>				
General and administrative expenses	(880,006)	(239,462)	(2,178,323)	(809,688)
<b>Total operating expenses</b>	<b>(880,006)</b>	<b>(239,462)</b>	<b>(2,178,323)</b>	<b>(809,688)</b>
<b>Loss from operations</b>	<b>(871,213)</b>	<b>(291,598)</b>	<b>(2,060,739)</b>	<b>(439,690)</b>
Other income (expense)	7,898	(85)	9,897	(3,797)
<b>Loss before income taxes</b>	<b>(863,315)</b>	<b>(291,683)</b>	<b>(2,050,842)</b>	<b>(443,487)</b>
Income tax benefit (expense)	2,592	16,560	422	(54,279)
<b>Net loss</b>	<b>(860,723)</b>	<b>(275,123)</b>	<b>(2,050,420)</b>	<b>(497,766)</b>
Less: Net income attributable to non-controlling interests	4,767	–	4,767	–
<b>Net loss attributable to the Company</b>	<b>(865,490)</b>	<b>(275,123)</b>	<b>(2,055,187)</b>	<b>(497,766)</b>
<b>Comprehensive (loss) income</b>				
Net loss	(860,723)	(275,123)	(2,050,420)	(497,766)
Foreign currency translation gain (loss)	(6,343)	384	(25,569)	47,059
<b>Total comprehensive loss</b>	<b>(867,066)</b>	<b>(274,739)</b>	<b>(2,075,989)</b>	<b>(450,707)</b>
Less: comprehensive loss attributable to non-controlling interest	4,767	–	4,767	–
<b>Comprehensive loss attributable to the Company</b>	<b>(871,833)</b>	<b>(274,739)</b>	<b>(2,080,756)</b>	<b>(450,707)</b>
<b>Loss per share</b>				
Basic	(0.1069)	(0.0449)	(0.2757)	(0.0811)
Diluted	(0.1069)	(0.0449)	(0.2757)	(0.0811)
<b>Weighted average number of common shares outstanding</b>				
Basic	8,099,021	6,121,651	7,455,656	6,140,694
Diluted	8,059,021	6,121,651	7,455,656	6,140,694

## Revenue

Revenue for the three months ended September 30, 2022 was \$1,374,417, compared to \$18,366 for the comparable period in 2021. The increase was mainly because the high demand in the fish trading business in Taiwan led to the growth of the revenue recognition from NTB for the three months ended September 30, 2022.

Revenue for the nine months ended September 30, 2022 was \$6,478,075, compared to \$2,865,399 for the comparable period in 2021. The increase was mainly because the high demand in the fish trading business in Taiwan led to the growth of the revenue recognition of the fish trading business from NTB for the nine months ended September 30, 2021.

### ***Cost of Sales***

Cost of Sales for the three months ended September 30, 2022 was \$1,365,624, compared to \$70,502 for the comparable period in 2021. The increase was mainly due to the decrease of fish harvesting which led to the increasing cost of fish trading business from NTB for the three months ended September 30, 2022.

Cost of Sales for the nine months ended September 30, 2022 was \$6,360,491, compared to \$2,495,401 for the comparable period in 2021. The increase was mainly due to the decrease of fish harvesting which led to the increasing cost of fish trading business from NTB for the nine months ended September 30, 2022.

### ***Gross profit***

Gross profit for the three months ended September 30, 2022 was \$8,793, compared to gross loss \$52,136 for the comparable period in 2021. The increase was primarily because there was a significant decrease in cost of sales from NTB's fish trading business for the three months ended September 30, 2021.

Gross profit for the nine months ended September 30, 2022 was \$117,584, compared to \$369,998 for the comparable period in 2021. The decrease was primarily because there was a significant increase in cost of sales from NTB's fish trading business for the nine months ended September 30, 2021.

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

General and administrative expenses were \$880,006, for the three months ended September 30, 2022, compared to approximately \$239,462 for the comparable period in 2021. This increase was primarily due to the increase of legal, accounting, and consulting fees for the three months ended September 30, 2022 in connection with securities filings with the SEC and other related matters.

General and administrative expenses were \$2,178,323, for the nine months ended September 30, 2022, compared to approximately \$809,688 for the comparable period in 2021. This increase was primarily due to the increase of legal, accounting, and consulting fees for the nine months ended September 30, 2022 in connection with securities filings with the SEC and other related matters.

### ***Other expense***

Other income was \$7,898, for the three months ended September 30, 2022, compared to other expense of \$85 for the comparable period in 2021. The other income was interest revenue of bank deposits. The other expense was interest expense for a bank loan.

Other income was \$9,897, for the nine months ended September 30, 2022, compared to other expense of \$3,797 for the comparable period in 2021. 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 September 30, 2022, we recorded an income tax benefit of \$2,592, compared to an income tax benefit of \$16,560 for the comparable period in 2021. The decrease in income tax benefit is because we evaluated the income tax impact from XFC for the period ended September 30, 2022.

During the nine months ended September 30, 2022, we recorded an income tax benefit of \$422 as compared to an income tax expense of \$54,279 for the comparable period in 2021. The decrease in income tax expense is because we evaluated the income tax impact from XFC for the period ended September 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 September 30, 2022 was \$865,490, compared to a net loss attributable to us (excluding net loss attributable to non-controlling interest) of \$275,123 for the comparable period in 2021. The increase in loss was because our gross profit, derived from NTB's fish trading business revenue for the three months ended September 30, 2021, significantly decreased due to its higher cost of sales, and we recognized greater general and administrative expenses over the same period.

Net loss attributable to us (excluding net loss attributable to non-controlling interest) for the nine months ended September 30, 2022 was \$2,055,187, compared to a net loss attributable to us (excluding net loss attributable to non-controlling interest) of \$497,766 for the comparable period in 2021. The increase in loss was because our gross profit, derived from XFC's construction revenue for the nine months ended September 30, 2021, significantly decreased due to its higher cost of sales, and we recognized greater general and administrative expenses over the same period.

### **Liquidity and Capital Resources**

We had net cash used by operating activities for the period ended September 30, 2022 and the cash balance was \$2,203,592 as of September 30, 2022 and stockholders' equity of \$5,543,598. 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. 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, management believes that we have sufficient capital and liquidity to fund our operations for at least the next 12 months.

To date, we have funded our operations through revenues, loans from our officers, and the sale of equity securities. We obtained a financial support letter on May 7, 2020 from Mr. Yin-Chieh Cheng, the Chief Executive Officer and President, also the Chairman of the Board and one of our principal stockholders. As of September 30, 2022, we owe Mr. Cheng a total of \$10,571 as a reimbursement for amounts paid by Mr. Cheng on our behalf for operating expenses.

Since the net asset balance as of September 30, 2022 was \$5,543,598, 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 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 90th calendar day following the initial issuance date if, on the date that is 90 calendar days immediately following the initial issuance date, the Reset Price is less than the exercise price on that date. 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:

(Unaudited)	For the nine months ended September 30,	
	2022	2021
	\$	\$
Net cash used in operating activities	(669,080)	(36,401)
Net cash used in investing activities	(5,128,580)	(25,062)
Net cash provided (used) in financing activities	5,611,338	(301,488)
Effect of the exchange rate change on cash	(54,095)	15,160
Decrease in cash	(240,417)	(347,791)

*Net cash used in operating activities*

Net cash used in operating activities amounted to \$669,080 for the nine months ended September 30, 2022. This reflected the effect of changes in operating assets and liabilities including decreases in advance receipts in the amount of \$1,051,121.

Net cash used in operating activities amounted to \$36,401 for the nine months ended September 30, 2021. This reflected the effect of changes in operating assets and liabilities including increase of account receivable in the amount of \$159,417, increase of inventory in the amount of \$1,280,808 and increase of advance receipts in the amount of \$1,646,513.

*Net cash used in investing activities*

Net cash used in investing activities was \$5,128,580 for the nine months ended September 30, 2022, which was cash paid for purchase of property and acquisition of a subsidiary, and \$25,062 for the nine months ended September 30, 2021, which was cash paid for purchase of property.

*Net cash used by financing activities*

Net cash provided by financing activities amounted to \$5,611,338 for the nine months ended September 30, 2022, which was provided by the issuance of our common stock.

Net cash used in financing activities was \$301,488 for the nine months ended September 30, 2021, which was a repayment of bank loans.

Since we plan to build our land-based fish farming demo sites in the U.S., Taiwan, and Brazil 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 providing 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 on acceptable terms, if at all.

**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 the Note 2 above.

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

### Credit Risk

We are exposed to credit risk from our cash at bank and accounts receivable. The credit risk on cash at bank is limited because the counterparts are recognized financial institutions. Accounts receivable are subject to credit evaluations. We periodically record a provision for doubtful collections based on an evaluation of the collectability of accounts receivable by assessing, among other factors, the customer's willingness or ability to pay, repayment history, general economic conditions and our ongoing relationship with the customers.

### Foreign Currency and Exchange Risk

The functional currency of the Company is US\$, the functional currency of our VIE in Taiwan is the Taiwan Dollar ("TWD"), and the functional currency of our Hong Kong subsidiary is the Hong Kong dollar. The functional currency of PRC companies is the RMB. Taiwan is the primary economic environment in which we operate.

For financial reporting purposes, the financial statements of PRC companies, which are prepared using the TWD, are translated into our reporting currency, the US\$. Assets and liabilities are translated using the exchange rate at each balance sheet date. Revenue and expenses are translated using average rates prevailing during each reporting period, and stockholders' equity is translated at historical exchange rates. Adjustments resulting from the translation are recorded as a separate component of accumulated other comprehensive income/loss in stockholders' equity.

Transactions denominated in currencies other than the reporting currency are translated into the reporting currency at the exchange rates prevailing at the dates of the transactions. The resulting exchange differences are included in the determination of net loss of the unaudited consolidated financial statements for the respective periods.

Exchange rates applied are as follows.

	Quarter ended September 30, 2022 (Unaudited)	Year ended December 31, 2021 (Audited)
Period end RMB exchange rate	7.0998	6.3539
Average RMB exchange rate	6.5972	6.4516
Period end TWD exchange rate	31.7500	27.7095
Average TWD exchange rate	29.2846	27.9316
Period end HK\$ exchange rate	7.8511	7.7727
Average HK\$ exchange rate	7.8498	7.7973

No representation is made that the HK\$, TWD and RMB amounts could have been, or could be, converted into U.S. dollars at the rates used in translation.

Our principal executive offices and substantially all of our assets are located in Taiwan, and substantially all of our revenues are derived from our operations in Taiwan. Accordingly, our business, financial condition and results of operations and the market price of our common stock may be affected by changes in Taiwan's governmental policies, taxation, inflation or interest rates and by social instability and diplomatic and social developments in or affecting Taiwan which are outside of our control. Taiwan has a unique international political status. The PRC government asserts sovereignty over mainland China and Taiwan and does not recognize the legitimacy of the government of Taiwan. The PRC government has indicated that it may use military force to gain control over Taiwan if Taiwan declares independence or if Taiwan refuses to accept the PRC's stated "One China" policy. In addition, on March 14, 2005, the National People's Congress of the PRC passed what is widely referred to as the "antiseccession" law, a law authorizing the PRC military to respond to efforts by Taiwan to seek formal independence. An increase in tensions between Taiwan and the PRC and the possibility of instability and uncertainty could adversely affect the prices of our shares. It is unclear what effects any of the events described above may have on relations with the PRC. Relations between Taiwan and the PRC and other factors affecting Taiwan's political environment could affect our business.

The substantial portion of our business, assets, and operations are located and conducted in Taiwan. The Taiwanese government has implemented various measures to encourage economic growth and guide the allocation of resources. For example, the government of Taiwan began supporting the Green Power and Solar Sharing Fish Farms initiative, which, among other things, provides lower rates to finance and purchase renewable energy projects. Currently, to our knowledge, no pending policies in Taiwan exist that if enacted would have an adverse effect on Nocera's business. However, Nocera's operating results and financial condition may be adversely affected by future regulations in Taiwan, such as changes in tax regulations applicable to Nocera. If there are any changes in any policies by the Taiwanese government and Nocera's business is negatively affected as a result, then Nocera's financial results, including our ability to generate revenues and profits, will also be negatively affected.

#### 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 September 30, 2022, due to the presence of material weaknesses described below, our disclosure controls and procedures were ineffective.

The following material weaknesses in our disclosure controls and procedures at September 30, 2022 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 fourth quarter of 2022. 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*

During the quarter ended September 30, 2022, we took several actions to correct past material weaknesses, including, but not limited to, establishing an audit committee of our Board comprised of three independent directors, adding experienced accounting and financial personnel and retaining third-party consultants to review our internal controls and recommend improvements. However, we may need to take additional measures to fully mitigate these issues, and the measures we have taken, and expect to take, to improve our internal controls may not be sufficient to (1) address the issues identified, (2) ensure that our internal controls are effective or (3) ensure that the identified material weakness or other material weaknesses will not result in a material misstatement of our annual or interim financial statements.

## **PART II OTHER INFORMATION**

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

We were not subject to any legal proceedings during the nine months ended September 30, 2022 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 for the year ended December 31, 2021, filed with the SEC on March 23, 2022.

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

#### **(A) Unregistered Sales of Equity Securities**

None.

#### **(B) Use of Proceeds**

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) (the “Registration Statement”). 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 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 Units, 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.

There has been no material change in the planned use of proceeds from such use as described in the Registration Statement.

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

None.

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

Not applicable.



## ITEM 5. OTHER INFORMATION

### *Subsequent Events*

On September 26, 2022, we entered into a Variable Interest Entity Purchase Agreement (the “iTake Purchase Agreement”) with iTake Inc., a Taiwan corporation (“iTake”). The iTake Purchase Agreement provides that, subject to the terms and conditions set forth in the iTake Purchase Agreement, we will purchase a 51% controlling interest in iTake (the “iTake Acquisition”). Under the iTake Purchase Agreement, we will (i) make a payment of \$200,000 to iTake (the “Cash Payment”) and (ii) issue 100,000 Class A warrants (together with the Cash Payment, the “Payment”), within 60 days of September 26, 2022 (i.e., by November 25, 2022) in exchange for a 51% controlling interest in iTake. On the date that is 15 days after the date the Payment is completed, iTake will sign and deliver all necessary variable interest agreements to us to effectuate the iTake Acquisition, including, without limitation, a customary voting rights proxy agreement and power of attorney, exclusive call option agreement, and a legal opinion from iTake’s counsel. The iTake Acquisition is expected to close on or around November 15, 2022. On October 31, 2022, the iTake Purchase Agreement was terminated due to the inaccessibility of iTake’s accounting records necessary for the Company’s consolidation and audit purposes.

### *Holding Foreign Companies Accountable Act*

On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements under the Holding Foreign Companies Accountable Act (the “HFCAA”), pursuant to which the SEC will identify a “Commission-Identified Issuer” if an issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the Public Company Accounting Oversight Board (the “PCAOB”) has determined it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction, and will then impose a trading prohibition on an issuer after it is identified as and remains a Commission-Identified Issuer for three consecutive years. On December 16, 2021, the PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong, because of positions taken by one or more authorities in such jurisdictions. Since our auditor is located in Hong Kong, our auditor is included on a list of audit firms the PCAOB determined it is unable to inspect or investigate completely because of a position taken by one or more authorities in Hong Kong, and is therefore subject to the PCAOB’s determination. In May 2022, we were added to the SEC’s conclusive lists of issuers identified under the HFCAA, or a Commission-Identified Issuer. Therefore, we will be delisted and our securities will be prohibited from being traded “over-the-counter” if we remain identified as a Commission-Identified Issuer for three consecutive years. If our securities are unable to be listed on another securities exchange by then, such a delisting or prohibition of trading would have a negative impact on the price of our securities. The Accelerating Holding Foreign Companies Accountable Act (“AHFCAA”), passed by the U.S. Senate and if enacted, would require Commission-Identified Issuers to comply with the PCAOB audits within two consecutive years instead of three consecutive years. In light of the PRC government’s recent expansion of authority in Hong Kong, there are risks and uncertainties which we cannot foresee for the time being, and rules and regulations in China can change quickly with little or no advance notice.

## 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).	

\* 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 or the Exchange Act, except as otherwise specifically stated in such filing.

\*\* Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and otherwise are not subject to liability under those sections.

## 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: November 18, 2022

By: /s/ Yin-Chieh Cheng  
Name: Yin-Chieh Cheng  
Title: President and Chief Executive Officer  
(Principal Executive Officer)

Date: November 18, 2022

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, Yin-Chieh Cheng, President and 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 September 30, 2022;

(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.

November 18, 2022

/s/ Yin-Chieh Cheng

Yin-Chieh Cheng

President and 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 September 30, 2022;

(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.

November 18, 2022

/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 September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Yin-Chieh Cheng, President and 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/ Yin-Chieh Cheng\_\_\_\_\_

Yin Chieh Cheng  
President and Chief Executive Officer  
(Principal Executive Officer)

November 18, 2022

**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 September 30, 2022, 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)

November 18, 2022