

SINCERITY APPLIED MATERIALS HOLDINGS CORP.

Level 2, 627 Chapel Street South Yarra, Melbourne, VIC, 3141, Australia

+61-421-007-277

www.sincerityplastics.com

info@sincerityplastics.com

Quarterly Report

For the period ending March 31, 2024 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

27,637,498 as of March 31, 2024 (*Current Reporting Period Date or More Recent Date*)

27,637,498 as of December 31, 2023 (*Most Recent Completed Fiscal Year End*)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: ☐ No: ☒

⁴ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Sincerity Applied Materials Holdings Corp.

On September 25, 2013, company name changed from Hapykidz Com Inc to Symbid Corp.

On June 14, 2017, company name changed from Symbid Corp. to Sincerity Applied Materials Holdings Corp.

Current State and Date of Incorporation or Registration: Nevada on July 28, 2011

Standing in this jurisdiction: (e.g. active, default, inactive): Active and in good standing

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

Level 2, 627 Chapel Street, South Yarra, Melbourne, VIC, 3141, Australia

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Yes

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: VStock Transfer LLC
Phone: +1 212-828-8436
Email: info@vstocktransfer.com
Address: 18 Lafayette Place, Woodmere, NY, 11598

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	SINC
Exact title and class of securities outstanding:	COMMON
CUSIP:	829223205
Par or stated value:	0.001
Total shares authorized:	290,000,000 as of March 31, 2024
Total shares outstanding:	27,637,498 as of March 31, 2024
Total number of shareholders of record:	134 as of March 31, 2024

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	Convertible Series A Preferred
Par or stated value:	0.0001
Total shares authorized:	10,000,000 as of March 31, 2024
Total shares outstanding:	2,600,000 as of March 31, 2024
Total number of shareholders of record	1 as of March 31, 2024

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

The common stock of the company is eligible for dividends and has full voting rights on all corporate matters, but it does not contain any rights or privileges with regards to preemptive rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

One share of the as Convertible Series A Preferred Stock shall be convertible into one thousand (1000) shares of common stock of the Corporation and entitled to one thousand (1000) votes of common stock for every one (1) share of as Convertible Series A Preferred Stock owned. The holders of the Convertible Series A Preferred Stock shall not be entitled to receive dividends.

3. Describe any other material rights of common or preferred stockholders.

None

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance</u> :									
Date January 1, 2022 Common: 73,340,730 Preferred: 0			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
May 6, 2022	Cancellation	(48,079,730)	Common	\$0.01	No	MF & HP Pty Ltd ATF Zhang Family Trust Ting, Yin	For cash	Restricted	N/A
May 17, 2022	New issuance	1,200,000	Common	\$0.61	No	Anthony Saviano of Infinity Fund	Debt conversion	Unrestricted	Rule 3a-10
April 12, 2022	New issuance	253,165	Common	\$0.001	No	Christopher Miglino of SRAX	IR services	Restricted	Section 4(a)(2)
May 10, 2022	New issuance	2,600,000	Preference	\$0.01	No	MF & HP Pty Ltd ATF Zhang Family Trust Ting, Yin	For cash	Restricted	Section 4(a)(2)
July 1, 2022	New issuance	20,000	Common	\$0.18	No	John J STEWART	IR services	Restricted	Section 4(a)(2)
August 1, 2022	New issuance	20,000	Common	\$0.18	No	John J STEWART	IR services	Restricted	Section 4(a)(2)
August 23, 2022	New issuance	700.000	Common	\$0.1553	No	INFINITY FUND LLC	Debt conversion	Unrestricted	Rule 3a-10

						Anthony Saviano			
August 29, 2022	New issuance	33,333	Common	\$0.1750	No	ATLANTA CAPITAL PARTNERS LLC David Kugelman	IR services	Restricted	Section 4(a)(2)
September 1, 2022	New issuance	20,000	Common	\$0.1999	No	John J STEWART	IR services	Restricted	Section 4(a)(2)
October 3, 2022	New issuance	30,000	Common	\$0.14	No	John J STEWART	IR services	Restricted	Section 4(a)(2)
October 3, 2022	New issuance	100,000	Common	\$0.1	No	John J STEWART	For cash	Restricted	Section 4(a)(2)
Shares Outstanding on Date of This Report:									
<u>Ending Balance:</u>									
Date March 31, 2024 Common: 27,637,498 Preferred: 2,600,000									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

N/A

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *** You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
April 6, 2022	\$134,795	\$120,000	\$14,795	April 6, 2023	60% of the lowest trading price for the twenty prior trading days	Ahron Fraiman of ONE44 CAPITAL, LLC	Working capital
May 4, 2022	\$75,108	\$68,750	\$6,359	May 4, 2023	65% of the lowest trading price for the twenty prior trading days	Curt Kramer of 1800 DIAGONAL LENDING LLC	Working capital

June 17, 2022	\$58,744	\$54,250	\$4,495	June 17, 2023	65% of the lowest trading price for the twenty prior trading days	Curt Kramer of 1800 DIAGONAL LENDING LLC	Working capital
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*****Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

Use the space below to provide any additional details, including footnotes to the table above:

N/A

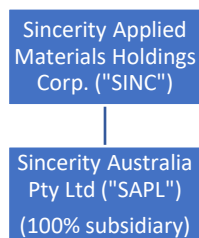
4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Sincerity Applied Materials Holdings Corp. applies its unparalleled expertise in polymer science, and chemical science, along with its deep manufacturing and engineering capabilities, to develop category-defining high-performance polymers that support industries transformation and enhance people's lives. Our vision is to be the most creative, respectable and responsible leader in material science, to achieve that we provide customer with performance material today while setting innovations for tomorrow.

B. List any subsidiaries, parent company, or affiliated companies.



C. Describe the issuers' principal products or services.

Engineering Plastic Resin Plastic Sheets Biodegradable/Compostable Polymers Performance Films (MAP, Ventilated, Breathable)

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

None

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors, and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Yiwen Zhang	CEO	Unit 2205, 18 Yarra St, South Yarra, VIC, 3141, Australia	Nil	N/A	N/A	N/A
Christopher Lim	CFO	3 Romilly Ave, Lower Templestowe, VIC, 3107, Australia	Nil	N/A	N/A	N/A
Peter Wang	Treasurer	Unit 304c, 1-17 Elsie St, Burwood, NSW, 2134, Australia	Nil	N/A	N/A	N/A
MF & HP Pty Ltd ATF Zhang Family Trust	Owner of more than 5%	Unit 2205, 18 Yarra St, South Yarra, VIC, 3141, Australia	21,459,733	Common	77.647%	Ting, Yin
MF & HP Pty Ltd ATF Zhang Family Trust	Owner of more than 5%	Unit 2205, 18 Yarra St, South Yarra, VIC, 3141, Australia	2,600,000	Preferred A	100%	Ting, Yin

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: JDT Legal
Address 1: 7533 S Center View Ct, #4291
Address 2: West Jordan, Utah 84065
Phone: 801-810-4465
Email: jeff@jdt-legal.com

Accountant or Auditor

Name: NA
Firm:
Address 1:
Address 2:
Phone:
Email:

Investor Relations

Name: John J Stewart
Firm:
Address 1: 565 Fareham Court
Address 2: Castle Rock, CO, 80104
Phone:
Email: stewdomer@gmail.com

All other means of Investor Communication:

X (Twitter): <https://twitter.com/SincerityCorp>
Discord:
LinkedIn <https://www.linkedin.com/in/james-zhang-12343b64/>
Facebook:
[Other]

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: NA
Firm:
Nature of Services:
Address 1:
Address 2:
Phone:
Email:

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Peter Wang
Title: Treasurer & Accountant
Relationship to Issuer: Accounting Service Provider

B. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Christopher Lim
Title: CFO
Relationship to Issuer: CFO

Describe the qualifications of the person or persons who prepared the financial statements:⁵ Chartered Accountants Australia & New Zealand

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

⁵ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Yiwen Zhang certify that:

1. I have reviewed this Disclosure Statement for SINCERITY APPLIED MATERIALS HOLDINGS CORP.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 14th, 2024

/s/ Yiwen Zhang [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Christopher Lim certify that:

1. I have reviewed this Disclosure Statement for SINCERITY APPLIED MATERIALS HOLDINGS CORP.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May14th 2024

/s/ Christopher Lim [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

SINCERITY APPLIED MATERIALS HOLDINGS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED (UNAUDITED)
MARCH 31, 2024 and 2023

SINCERITY APPLIED MATERIALS HOLDINGS CORP.**Unaudited Consolidated Balance Sheets****As at March 31, 2024 and 2023**

	Note	Unaudited March 31, 2024 \$	Unaudited December 31, 2023 \$
Assets			
Cash and cash equivalents	4	1,941	16,458
Accounts receivables	5	7,554	13,959
Other Receivables		640,237	640,237
Total current assets		649,732	670,654
Property, plant and equipment, net of accumulated depreciation and amortization	6	45,907	51,175
Loan to Shareholder		1,685,935	1,707,586
Total non-current assets		1,731,842	1,758,761
Total assets		2,381,574	2,429,415
Liabilities and Stockholders' Equity/(Deficit)			
Liabilities			
Accounts payables		326,584	337,297
Accrued and other liabilities	7	105,783	100,566
Wages Payable		656,250	625,000
Long-term debt – current position	8	30,119	34,540
Line of credit	9	918,713	927,065
Other Payables - Related Party		11,260	11,260
Convertible Notes	10	258,147	258,147
Derivate Liability	10	151,499	151,499
Total current liabilities		2,458,355	2,445,374
Other Payables - Related Party		–	–
Total non-current liabilities		–	–
Total liabilities		2,458,355	2,445,374
Equity			
Common stock			
Authorized: \$0.001 par value, 290,000,000 shares authorized			
Issued and outstanding: 27,637,498 and 27,637,498, respectively		78,250	78,250
Additional paid in capital		4,431,709	4,431,709
Preference Stock			
Authorized: \$0.001 par value, 10,000,000 shares authorized Issued and outstanding: 2,600,000 and Nil, respectively		2,600	2,600
Accumulated losses		(4,756,239)	(4,721,193)
Foreign currency translation differences	12	166,899	192,675
Total stockholders' deficit		(76,781)	(15,959)
Total liabilities and stockholders' equity		2,381,574	2,429,415

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

SINCERITY APPLIED MATERIALS HOLDINGS CORP.
Unaudited Consolidated Statement of Operations
For the three months ended March 31, 2024 and 2023

	Note	Unaudited Three months ended March 31, 2024 \$	Unaudited Three months ended March 31, 2023 \$
Revenue			
Sales		49,429	69,062
Cost of sales		<u>27,977</u>	<u>75,426</u>
Gross profit		21,452	(6,364)
Operating expenses			
Depreciation and amortization		139	1,838
Selling, general and administrative expenses		8,469	3,348
Employee expenses		31,250	31,250
Professional service fees		<u>9,720</u>	<u>162</u>
Total operating expenses		49,578	36,598
Income/(Loss) from operations		(28,126)	(42,962)
Other income/(expenses)			
Other income		4,510	4,689
Interest expense		(10,392)	(16,213)
Foreign currency transaction income/(loss)		<u>(1,038)</u>	<u>334</u>
Total other income/(loss)		(6,920)	(11,190)
Income/(Loss) from continuing operations before income tax expenses		(35,046)	(54,152)
Income tax (expense)/benefit	11	<u>—</u>	<u>—</u>
Net income/(loss) after income tax expense for the period		(35,046)	(54,152)
Other comprehensive income /(loss)			
Exchange differences arising on translation of foreign operations		<u>(25,776)</u>	<u>(16,935)</u>
Other comprehensive income/(loss)		(25,776)	(16,935)
Total comprehensive income/(loss) for the period		(60,822)	(71,087)
Net (loss)/gain per share			
Basic and diluted		—	—
Weighted average number of common stock outstanding			
Basic and diluted		27,637,498	27,637,498

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

SINCERITY APPLIED MATERIALS HOLDINGS CORP.**Unaudited Consolidated Statement of Changes in Stockholders' Equity / (Deficit)****For the three months ended March 31, 2024 and 2023**

	Common Stock		Additional	Preference Stock		Other	Accumulated	Total (Deficit)
	Shares	Amount	Paid in	Shares	Amount	Comprehensive	Losses	/Equity
			Capital			Earnings		
Balance at								
December 31, 2023	27,637,498	78,250	4,431,709	2,600,000	2,600	192,675	(4,721,193)	(15,959)
Income/(loss) after								
income tax expense								
for the period	—	—	—	—	—	—	(35,046)	(35,046)
Other comprehensive								
income/(loss) for the								
period	—	—	—	—	—	(25,776)	—	(25,776)
Balance at March								
31, 2024	27,637,498	78,250	4,431,709	2,600,000	2,600	166,899	(4,756,239)	(76,781)
Balance at								
December 31, 2022	27,637,498	78,250	4,508,351	2,600,000	2,600	234,939	(4,402,867)	421,273
Income/(loss) after								
income tax expense								
for the period	—	—	—	—	—	—	(51,152)	(51,152)
Other comprehensive								
income/(loss) for the								
period	—	—	—	—	—	(16,933)	—	(16,933)
Balance at March								
31, 2023	27,637,498	78,250	4,508,351	2,600,000	2,600	218,006	(4,457,019)	350,186

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

SINCERITY APPLIED MATERIALS HOLDINGS CORP.
Unaudited Consolidated Statement of Cash Flows
For the three months ended March 31, 2024 and 2023 (Unaudited)

	(Unaudited) Three months ended March 31, 2024 \$	(Unaudited) Three months ended March 31, 2023 \$
Cash flows from operating activities:		
Net income/(loss)	(35,046)	(54,152)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	139	1,838
Net difference on foreign exchange	1,038	(334)
Net changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	6,405	—
Increase/(decrease) in trade and other payables	25,754	44,940
Decrease in tax provision	—	24,428
Net cash used in operating activities	(1,710)	16,720
Cash flows from investing activities		
Payments for property, plant and equipment	—	—
Net cash used in investing activities	—	—
Cash flows from financing activities		
Payment of finance lease liabilities	—	(1,842)
Proceeds/(payments) from borrowings	(8,352)	(6,677)
Proceeds/(repayments) of advances from related entities	17,229	17,335
Net cash provided by financing activities	8,877	8,816
Net increase/(decrease) in cash and cash equivalents	7,167	25,536
Effect of exchange rate changes on cash and cash equivalents	(21,684)	(13,759)
Cash and cash equivalents at the beginning of period	16,458	5,861
Cash and cash equivalents at the end of period	1,941	17,638

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1.1 Nature of Operations**

Sincerity Applied Material Holdings Corp (the "Company") is a specialized provider of technologically advanced packing materials for the automotive, packaging, building & construction, and engineering industries, with headquarters located near Melbourne, Australia. The Company's primary customer is an unrelated entity with global operations that accounts for approximately 80%-90% of The Company's revenue, and The Company's primary suppliers are in China and Malaysia.

1.2 Basis of Accounting

The accompanying financial statements include the accounts of Sincerity Applied Material Holdings Corp which is a company domiciled in Australia. These financial statements have been prepared in accordance with the accounting principles generally accepted in the United States ("GAAP") and Regulation S-X published by the US Securities and Exchange Commission (the "SEC"). Certain prior period amounts have been reclassified to conform to the current period presentation. Such reclassifications had no effect on the prior period net income, accumulated deficit, net assets, or total shareholders' deficit. The Company has evaluated events or transactions through the date of issuance of this report in conjunction with the preparation of these consolidated financial statements. All amounts presented are in US dollars, unless otherwise noted.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

1.3 Going Concern Basis

The financial statements have been prepared on the going concern basis, which assumes continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

At March 31, 2024, the Company had a current asset deficiency of \$1,808,624 (December 31, 2023 current asset deficiency of \$1,774,720) and reported an after-tax loss of \$35,046 for the three months ended March 31, 2024 (March 31, 2023 after-tax loss of \$54,152).

Despite the current asset deficiency, the company has prepared the financial statements on a going concern basis that contemplates the continuity of normal business activity, realization of assets and settlement of liabilities at the amounts recorded in the financial statements in the ordinary course of business.

The company believes that there are reasonable grounds to support the fact that it will be able to pay its debts as and when they become due and payable. In forming this opinion, the Group has considered the following factors:

- (i) The company has the ability to raise fund through private placements and convertible notes; and
- (ii) The company has been streamlining its operation by reducing operation costs.

If the Company is unable to continue as a going concern it may be required to realize its assets and extinguish its liabilities other than in the ordinary course of business at amounts different from those stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

1.4 Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

1.5 Foreign Currency Translation

The functional currency of the Company is its local currency, the Australian dollar (AUD). The financial statements of the Company have been translated into U.S. dollars (USD). All balance sheet accounts, other than those in stockholder's deficiency, which are translated, based on historical rates accumulated over time, have been translated using the exchange rate in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate in effect for the three months ended March 31, 2024. Accumulated net translation adjustments have been reported separately in other comprehensive loss in the financial statements. Foreign currency translation adjustments resulted in a loss of \$25,776 for the three months ended March 31, 2024; such translation adjustments are not subject to income taxes. Foreign currency transaction loss resulting from exchange rate fluctuations on transactions denominated in a currency other than the AUD, the functional currency, totaled \$1,038 for the three months ended March 31, 2024, and is included in the accompanying statement of income for the period.

1.6 Cash and Cash Equivalents and Concentration of Credit Risk

The Company considers all highly liquid short-term investments with original maturities of three months or less at the date of acquisition to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents are held in several Australian bank accounts. The Company regularly assesses the level of credit risk we are exposed to and whether there are better ways of managing credit risk. The Company invests its cash and cash equivalents with reputable financial institutions. The Company has not incurred any losses related to these deposits.

1.7 Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. The Company evaluates its accounts receivable on a regular basis and establishes an allowance for doubtful accounts, when deemed necessary, based on a history of past write-offs and collections and current credit conditions. A receivable is considered past-due based either on contractual terms or payment history. Accounts are written off as uncollectible after collection efforts have failed. In addition, The Company does not generally charge interest on past-due accounts or require collateral. It is at least reasonably possible that changes may occur in the near term that would affect management's estimate of the allowance for doubtful accounts. At March 31, 2024, management determined that no allowance for doubtful accounts was required.

1.8 Property and Equipment

Property and equipment are recorded at cost. Costs of renewal and improvements that substantially extend the useful lives of assets are capitalized. Maintenance and repair costs are expensed when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally five years.

Derecognition

An item of plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal.

1.9 Payables

Payables are carried at amortized cost and, due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

1.10 Provisions

Provisions are recognized when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

1.11 Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalized by recognizing an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognized as expenses on a straight-line basis over the lease term.

1.12 Loans and Borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

1.13 Revenue Recognition

The Company recognizes revenue when the goods are delivered at the port of shipment by the supplier, the price is fixed or determinable, and collectability is reasonably assured.

Interest revenue is recognized using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax.

1.14 Income Tax

We account for income taxes using the asset and liability method, under which the current income tax expense or benefit is the amount of income tax expected to be payable or refundable in the current year. Deferred tax assets and liabilities are recorded for the estimated future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled.

We evaluate the realizability of our deferred tax assets and establish a valuation allowance when it is more likely than not that all or a portion of our deferred tax assets will not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

We account for the uncertainty in income tax components based on tax positions taken or expected to be taken in a tax return. To recognize a benefit, a tax position must be more likely than not to be sustained upon examination by taxing authorities. We do not recognize tax benefits that have a less than 50 percent likelihood of being sustained. Our policy is to recognize interest and tax penalties related to unrecognized tax benefits in income tax expense; no interest or tax penalties on uncertain tax benefits have been recorded through the three months ended March 31, 2024.

1.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

1.16 Impairment of Long-Lived Assets

The Company reviews long-lived assets, including fixed assets, for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from use of the asset is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the asset. During the three months ended March 31, 2024, no impairment losses were recognized for long-lived assets.

1.17 Stock-Based Compensation

The Company recognizes all employee share-based compensation as a cost in the consolidated financial statements. Equity-classified awards principally related to stock options, restricted stock units ("RSUs") and performance stock units ("PSU"), are measured at the grant date fair value of the award. The Company determines grant date fair value of stock option awards using the Black-Scholes option-pricing model. The fair value of restricted stock awards is determined using the closing price of the Company's common stock on the grant date. For service based vesting grants, expense is recognized over the requisite service period based on the number of options or shares expected to ultimately vest. For performance-based vesting grants, expense is recognized over the requisite period until the performance obligation is met, assuming that it is probable. No expense is recognized for performance-based grants until it is probable the vesting criteria will be satisfied. Forfeitures are estimated at the date of grant and revised when actual or expected forfeiture activity differs materially from original estimates.

Stock-based payments to non-employees are re-measured at each reporting date and recognized as services are rendered, generally on a straight-line basis. The Company believes that the fair values of these awards are more reliably measurable than the fair values of the services rendered.

1.18 Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing income or losses available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per common share is computed similar to basic net income or losses per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares, warrants and stock options had been issued and of the additional common shares were dilutive. Diluted earnings (loss) per common share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding options and the if-converted method for the outstanding convertible preferred shares. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under if converted method, convertible outstanding instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later).

1.19 Accumulated Other Comprehensive Income (Loss)

Comprehensive income (loss) is presented net of applicable income taxes in the accompanying consolidated statements of stockholders' equity and comprehensive income (loss). Other comprehensive income (loss) is comprised of revenues, expenses, gains, and losses that under GAAP are reported as separate components of stockholders' equity instead of net income (loss).

1.20 Recently Issued Accounting Standards

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company's financials properly reflect the change. The Company currently does not have any recent accounting pronouncements that they are studying and feel may be applicable.

1.21 Reverse Acquisition Accounting

In accordance with "reverse acquisition" accounting treatment, our historical financial statements as of period ends, and for periods ended, prior to the Acquisition will be replaced with the historical financial statements of Sincerity Australia Pty Ltd ("SAPL"), prior to the Acquisition, in all future filings with the SEC. Consequently retroactive adjustments have been made to the equity balances of SAPL to reflect the equity balances of the legal parent company Sincerity Applied Materials Holdings Corp as required under ASC 805 and the application of reverse acquisition accounting.

2. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates***(i) Useful lives***

The Company determines the estimated useful lives and related depreciation and amortization charges for its property and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortization charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(ii) Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(iii) Fair value measure of shares issued and convertible notes payable

The calculation of the fair value of shares issued requires significant estimate to be made in regards to several variables. The estimations made are subject to variability that may alter the overall fair value determined.

Convertible notes payable are analyzed at issue date to determine balance sheet classification, issue discounts or premiums, and embedded or derivative features. Embedded or derivative features are evaluated in accordance with accounting guidance for derivative securities and, if the features give rise to separate accounting, we make an election to account for the notes at cost or at fair value.

SINCERITY APPLIED MATERIALS HOLDINGS CORP.**Notes to Consolidated Statements**

If fair value accounting is elected, on the issue date we record the difference between the issue price of the notes and their fair value as a gain or loss in the consolidated statement of operations. We re-measure the fair value at each reporting date and record again (upon a decrease in fair value) or loss (upon an increase in fair value) for the change in fair value. Fair value is determined using a Black Scholes valuation model with; inputs to the model include the market value of the underlying stock, a life equal to the contractual life of the notes, incremental borrowing rates that correspond to debt with similar credit worthiness, estimated volatility based on the historical prices of our trading securities, and we make assumptions as to our abilities to test and commercialize our product(s), to obtain future financings when and if needed, and to comply with the terms and conditions of the notes. Following an analysis of their embedded and derivative features and a projection of the volatility of their effective interest rates under the cost method, we elected to utilize fair value accounting for the convertible notes payable we issued on during the three months ended 30 June 2018. Management believes the fair value method of accounting provides a more appropriate presentation of these liabilities than would be provided under the cost method.

Key Judgements**(i) Provision for impairment of receivables**

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

(ii) Impairment

The Company assessed that no indicators of impairment existed at the reporting date and as such no impairment testing was performed.

3. Segment Information

The consolidated entity operates predominantly in one industry and one geographical segment, those being sales of technical advanced plastics materials in Australia, respectively.

4. Cash and Cash Equivalents

Cash at the end of the financial periods as shown in the statement of cash flows is reconciled to items in the balance sheets as follows:

	<i>March 31, 2024</i>	<i>December 31, 2023</i>
Cash at bank	\$ 1,289	\$ 15,777
Petty Cash	652	681
	<u>\$ 1,941</u>	<u>\$ 16,458</u>

5. Account Receivables and Other Assets

	<i>March 31, 2024</i>	<i>December 31, 2023</i>
Current		
Account Receivables	\$ 7,554	\$ 13,959
Account Receivables and Other Assets	<u>\$ 7,554</u>	<u>\$ 13,959</u>

6. Property, Plant and Equipment

	<i>March 31, 2024</i>	<i>December 31, 2023</i>	<i>Estimated Useful Lives</i>
Vehicles	\$ 116,379	\$ 121,413	5 years
Office equipment and furniture and fixtures	2,210	2,305	5 years
	<u>118,589</u>	<u>123,718</u>	
Less: accumulated depreciation	<u>72,682</u>	<u>72,543</u>	
Total, net of accumulated depreciation	<u>\$ 45,907</u>	<u>\$ 51,175</u>	

SINCERITY APPLIED MATERIALS HOLDINGS CORP.

Notes to Consolidated Statements

7. Accrued and Other Liabilities

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Current		
Accrued expenses	\$ 105,783	\$ 100,566
Accrued and other liabilities	<u>\$ 105,783</u>	<u>\$ 100,566</u>

8. Long-term debt

The Company has a chattel mortgage outstanding at March 31, 2024 secured by a motor vehicle requiring monthly payments approximating \$2,844 (and a final payment approximating \$48,672) that includes interest approximating 6.2%. The components of the balance due under the chattel mortgage at March 31, 2024 are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Chattel mortgage	\$ 30,119	\$ 34,540
Less: current portion	—	—
Long-term debt - non-current position	<u>\$ 30,119</u>	<u>\$ 34,540</u>

Maturities of long-term debt at March 31, 2024 for each of the next five years and in the aggregate, are as follows:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Next 12 months	\$ 30,119	\$ 34,540
2 years	—	—
3 years	—	—
4 years	—	—
	<u>\$ 30,119</u>	<u>\$ 34,540</u>

9. Line of credit

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Business Loan	\$ 82,195	\$ 87,344
Business Credit Card	2,838	2,599
Bank Overdraw	26,716	31,433
Loan from Home Loan Refinance	494,334	519,578
Loan from Finstro	13,065	42,186
Loan from HSU KUO-HSUN	92,153	106,425
Loan from Infinity Fund Australia (IFA)	69,912	—
Short-term borrowing	137,500	137,500
	<u>\$ 918,713</u>	<u>\$ 927,065</u>

The Company has a total \$950,000 (AUD) bank credit line (approximately \$689,320 (USD) at March 31, 2024) personally guaranteed by certain Company officers, and secured by real property owned by those officers, available to be used for core business working capital requirements, \$800,000 (AUD) of which is designated as the “mortgage loan” portion with the remaining balance of \$150,000 (AUD) designated as the “business loan” portion. The mortgage loan portion of the credit line is subject to the bank’s business mortgage index rate (5.94% per annum at March 31, 2024) minus 2.23% per annum for a maximum term of 30 years from the first drawdown date, and the business loan portion of the credit line is subject to the bank’s business mortgage index rate minus 1.08% per annum for a maximum term of 15 years from the first drawdown date.

The business loan at March 31, 2024, \$82,195 is drawn and payable on the business loan; no drawings have been made on the mortgage loan as of the balance sheet date. Interest only is due monthly in arrears for the first 3 years from the first drawdown date for draws from the mortgage loan and from the business loan.

10. Convertible notes payable and Common stock warrant liability**Fair Value Measurements:**

We measure the fair value of our financial and non-financial assets and liabilities at each reporting date. Fair value is defined as the exchange price at which an asset or liability would be transferred in the principal or most advantageous market in an orderly transaction between market participants as of a measurement date.

SINCERITY APPLIED MATERIALS HOLDINGS CORP.

Notes to Consolidated Statements

Accounting guidance provides an established hierarchy to be used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs; observable inputs are required to be used when available. Observable inputs are those used by market participants to value an asset or liability and are developed based on market data obtained from sources independent of us.

Unobservable inputs are those that reflect our assumptions about factors that market participants would use to value an asset or liability. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices for identical assets or liabilities in active markets at the measurement date;
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active or non-active markets, or other inputs that can be corroborated by observable market data for substantially the full term of an asset or liability; and,
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of an asset or liability, including management's best estimate of the factors that market participants would use in pricing an asset or liability at the measurement date.

We carry our convertible notes payable and common stock warrant liability at fair value. We carry our other financial instruments at amortized cost; these items include cash, accounts payable, and accrued expenses. The carrying amounts of our cash and cash equivalents, accounts payable, and accrued expenses are considered to be reasonable estimates of their respective fair values due to their short-term nature and, therefore, fair value information is not provided in the following table.

Utilizing the lowest level inputs available under the measurement hierarchy, the fair values of our measured financial instruments comprise the following (we had no Level 1 and 2 financial instruments):

Liabilities:

Convertible notes payable

Level 3

Convertible Notes Payable

Our Level 3 financial liabilities consist of convertible notes payable (the "Notes"), all of which were issued as detailed below:

- (i) On April 6, 2022, we entered into a Securities Purchase Agreement ("SPA") with ONE44 CAPITAL, LLC, a Nevada limited liability company ("Purchaser"), pursuant to which we issued and sold to the Purchaser a convertible promissory note, dated April 6, 2022, in the principal amount of \$120,000 (the "Note").

The Note contains an original issue discount amount of \$9,000 and legal fees payable to ONE44's legal counsel of \$6,000.

- (ii) On May 4, 2022, we entered into a Securities Purchase Agreement ("SPA") with 1800 DIAGONAL LENDING LLC, a Virginia limited liability company, f/k/a Sixth Street Lending, LLC ("Purchaser"), pursuant to which we issued and sold to the Purchaser a convertible promissory note, dated May 4, 2022, in the principal amount of \$68,750 (the "Note"). The Note contains legal fees payable to Purchaser's legal counsel of \$3,000 and to Purchaser a due diligence fee of \$750.

The term sheet also includes optional additional tranches of financing of up to \$900,000 during the term of the note subject to further agreement with the purchaser.

- (iii) On June 17, 2022, we entered into a Securities Purchase Agreement ("SPA") with 1800 DIAGONAL LENDING LLC, a Virginia limited liability company, f/k/a Sixth Street Lending, LLC ("Purchaser"), pursuant to which we issued and sold to the Purchaser a convertible promissory note, dated May 4, 2022, in the principal amount of \$54,250 (the "Note"). The Note contains legal fees payable to Purchaser's legal counsel of \$3,000 and to Purchaser a due diligence fee of \$1,250.

SINCERITY APPLIED MATERIALS HOLDINGS CORP.

Notes to Consolidated Statements

11. Income Tax Expense

(a) The components of tax (expense)/income comprise:

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Current tax		
- Australia	\$ —	\$ —
- US	—	—
Total	<u>\$ —</u>	<u>\$ —</u>

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

Profit/(loss) from continuing operations before income tax expense:		
- Australia	\$ 138	\$ (11,450)
- US	(35,184)	(42,702)
Total	<u>\$ (35,046)</u>	<u>\$ (54,152)</u>

Income tax expense/(credit) at statutory rate:

- Australia	\$ 34	\$ (2,863)
- US	(7,389)	(8,967)
Total	<u>\$ (7,355)</u>	<u>\$ (11,830)</u>

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Valuation allowance	\$ —	\$ —
Other non-allowable items	7,355	11,830
Consolidated income tax expense/(income)	<u>\$ —</u>	<u>\$ —</u>

On December 22, 2017, new tax reform legislation in the U.S., known as the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. At March 31, 2024, the Company has not yet completed its accounting assessment for the tax effects of the enactment of the Act; however, as described below, the Company has made a reasonable estimate of the effects on the existing deferred tax balances.

As a result of the lower enacted corporate tax rate, the Company has remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%.

Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company has provisionally determined that there is no deferred tax benefit or expense with respect to the remeasurement of certain deferred tax assets and liabilities due to the full valuation allowance against net deferred tax assets. The Company is still analyzing certain aspects of the Act and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. Additional analysis of the law and the impact to the Company will be performed and any impact will be recorded in the respective quarter in 2023.

12. Other Comprehensive Earnings

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Foreign currency translation reserve	\$ 166,899	\$ 192,675

13. Capital and Leasing Commitments

There was no capital or leasing expenditure at March 31, 2024.

SINCERITY APPLIED MATERIALS HOLDINGS CORP.

Notes to Consolidated Statements

14. Contingencies

From time to time, we may be a defendant and plaintiff in various legal proceedings arising in the normal course of our business. We are currently not a party to any material legal proceedings or government actions, including any bankruptcy, receivership, or similar proceedings.

In addition, we are not aware of any known litigation or liabilities involving the operators of our properties that could affect our operations. Furthermore, as of the date of this Annual Report, our management is not aware of any proceedings to which any of our directors, officers, or affiliates, or any associate of any such director, officer, affiliate, or security holder is a party adverse to our company or has a material interest adverse to us.

15. Related Party Transactions

(a) Subsidiary

Sincerity Australia Pty Ltd which is incorporated in Australia is wholly owned subsidiary of Sincerity Applied Materials Holdings Corp.

(b) Outstanding balances with related parties

The following balances are outstanding at reporting date in relation to transactions with related parties:

	<i>March 31, 2024</i>	<i>December 31, 2023</i>
Loan to Stockholder	\$ 1,685,935	\$ 1,707,586

16. Events After the Reporting Period

In accordance with ASC Topic 855, "Subsequent Events", which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before consolidated financial statements are issued, the Company has evaluated all events or transactions that occurred after March 31, 2024, up through the date the Company issued the audited consolidated financial statements.

There has not arisen in the interval between the end of the financial period and the date of these financial statements any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operation of the company, the results of those operations, or the state of affairs of the company, in future financial years, except for:

- (a) ONE44 CAPITAL, LLC has converted its convertible promissory note on April 8th, 2024, for 1,197,878 shares for US\$36,008.22. The applicable conversion price was \$0.03006. The amount of principle balance due remaining on the note is US\$ 90,000.
- (b) 1800 DIAGONAL LENDING LLC converted its convertible promissory note on May 6th, 2024, for 1,588,462 shares for US\$8,260. The applicable conversion price was \$0.0052. The amount of principle balance due remaining on the note is \$119,174.25. The converted principal amount included a 2x multiplier to the original sum (US\$68,500).
- (c) On May 7th, 2024, SEC Sues Curt Kramer and Three of His Businesses (Power Up Lending Ltd., Geneva Roth Remark Holdings, Inc., and 1800 Diagonal Lending, LLC (formerly known as Sixth Street Lending LLC)) for Acting as Unregistered Securities Dealers.

The SEC's complaint charges Kramer, Power Up, Geneva Roth, and 1800 Diagonal with violating the dealer registration provision of Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act"), and also alleges Kramer is liable as a control person of his companies pursuant to Section 20(a) of the Exchange Act. The SEC seeks a permanent injunction, disgorgement of ill-gotten gains plus prejudgment interest, civil penalties, a penny stock bar, and other equitable relief.

Should the order be in favor of SEC, in lieu of Requested Relief VI, Cancellation and Surrender, any conversion rights under any remaining unconverted convertible notes will need to be surrendered by 1800 Diagonal Lending LLC. And any unsold shares of common stock obtained by 1800 Diagonal Lending LLC need to be surrendered for cancellation.

Full SEC Litigation Releases and SEC Complaint can be found via
<https://www.sec.gov/litigation/litreleases/lr-25995>

- (d) On April 4th, 2024, SINC closed the acquisition in Adelaide (B D Pacific Pty Ltd), Australia, marking a significant milestone in its strategic expansion efforts.

Adelaide will be the operation hub for Oceania markets post-acquisition.

In conjunction with the acquisition, SINC announced the appointment of Simon Rees as its Chief Operating Officer. Simon Rees is widely recognized for his innovative approach and strategic vision in the material industry, having spearheaded numerous successful initiatives throughout his career. As Chief Operating Officer, Mr Rees will play a pivotal role in driving SINC's operational global expansion efforts, ensuring continued growth and success in key markets.

- (f) On April 10th, 2024, Sincerity Australia Pty Ltd was spun off from SINC. All existing businesses and growth from Sincerity Australia Pty Ltd are transferred to B D Pacific Pty Ltd in Adelaide.

Melbourne will continue to be the R&D center of SINC.