

SMARTWELL TECHNOLOGY INC.

Consolidated Financial Statements (Expressed in Canadian dollars)

For the years ended December 31, 2024 and 2023

MSLL CPA LLP

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Smartwell Technology Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Smartwell Technology Inc. and its subsidiaries (the "Company") which comprise the consolidated statement of financial position as at December 31, 2024 and 2023, the consolidated statement of loss and comprehensive loss, the consolidated statement of changes in equity, and consolidated statement of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, "the consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Revenue Recognition

Description of the matter

The Company generated revenue of \$2,478,369 during the year ended December 31, 2024, which has a significant impact on the Company's overall financial statements. The revenue was derived from three revenue streams as disclosed in *Note 4 Revenue Recognition*.

Why the matter is a key audit matter

We identified the occurrence of revenue as a key audit matter due to the inherent risk of misstatement, particularly the risk of overstatement. This risk arises from the potential premature recognition of revenue or the recording of fictitious sales.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- Obtained understanding of revenue recognition policy by performing walkthrough for each revenue stream and evaluate the appropriateness of revenue recognition policy.
- Reviewed contracts entered with customers and assessed the compliance of management's revenue recognition policies and related disclosure in the consolidated financial statements under IFRS 15.
- Obtained revenue confirmations from significant customers to confirm sales revenue and year-end accounts receivable balance.
- Substantively tested sales transactions by agreeing to evidence of satisfying performance obligation.
- Performed sales cut-off test to make sure revenue was recorded in proper period.
- Conducted a site visit to a customer location on a random basis and examined the software system developed by the Company.
- Interviewed key customers to understand their business and assess the reasonableness of the transactions with the Company.
- Conducted background checks on the top five customers to ensure they are arm-length parties of the Company and are in good standing.
- Reviewed subsequent general ledger and bank statements to ensure there were no subsequent sales reversal for sales recorded during the audit period.

Material uncertainty Related to Going Concern

We draw attention to *Note 2* in the financial statements, which indicates that the Company continues to experience net losses and negative cash flows from operations.

As stated in *Note 2* in the financial statements, these events or conditions, along with other matters as set forth in *Note 2* in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ying Xu, CPA, CA.

MSLL CPA LLP

Chartered Professional Accountants

Vancouver, Canada

March 2, 2026

Smartwell Technology Inc.
Consolidated Statements of Financial Position
Expressed in Canadian dollars
As at December 31,

	2024	2023
	\$	\$
Assets		
Current assets		
Cash (Note 5)	202,594	20,582
Accounts receivable (Note 6)	167,575	44,372
Other receivables (Note 7)	29,706	65,519
Loan to employees (Note 10)	52,362	88,095
Due from a related party (Note 14)	20,477	21,852
Loan to a related party (Note 14)	178,527	116,172
Prepays (Notes 8)	1,204	206,236
Total current assets	652,445	562,828
Refundable lease deposit (Note 8)	11,840	-
Right-of-use assets (Note 9)	130,615	-
Total assets	794,900	562,828
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	328,337	229,092
Short-term loan from a third party (Note 11)	39,466	-
Due to related parties (Note 14)	57,114	57,195
Lease liabilities – short-term (Note 9)	66,143	-
Total current liabilities	491,060	286,287
Lease liabilities – long-term (Note 9)	52,818	-
Total liabilities	543,878	286,287
Shareholders' equity		
Share capital (Note 13)	1,660,722	895,735
Additional paid-in capital (Note 13)	478,061	478,061
Accumulated other comprehensive income	(16,417)	(21,057)
Deficit	(1,871,344)	(1,076,198)
Total shareholders' equity	251,022	276,541
Total liabilities and shareholders' equity	794,900	562,828

On behalf of the Board:

"He Yang" Director *"Lillian Liu"* Director

Smartwell Technology Inc.

Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

For the years ended December 31,

	2024	2023
	\$	\$
Revenue		
Sales of goods	157,124	240,271
Service income – system development (Note 16)	2,053,952	1,406,657
Service income – technology consulting	267,293	470,575
	2,478,369	2,117,503
Costs		
Costs of goods sold	(154,079)	(134,528)
Service costs	(220,958)	(131,259)
	(375,037)	(265,787)
Gross profit	2,103,332	1,851,716
General and administrative expenses		
Accretion of interest (Note 9)	(959)	-
Amortization of right-of-use assets (Note 9)	(5,369)	-
Depreciation (Note 12)	-	(13,190)
Office and miscellaneous	(12,037)	(17,607)
Other taxes and surcharges	(19,863)	-
Professional services	(259,037)	(357,388)
Research and development expenses	(2,277,269)	(1,378,945)
Salary and benefits	(181,892)	(150,431)
Listing expenses	(133,008)	(142,972)
Travel expenses	(9,107)	(15,438)
Recovery (allowance) of credit loss (Note 6)	63	(378,080)
	(2,898,478)	(2,454,051)
Other income		
Government grant	-	7,486
	-	7,486
Net loss before income tax	(795,146)	(594,849)
Income taxes (Note 19)	-	(23,627)
Net loss for the year	(795,146)	(618,476)
Other comprehensive loss		
Exchange difference on translating foreign operations	4,640	(26,658)
Comprehensive loss for the year	(790,506)	(645,134)
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average number of common shares – basic and diluted	93,590,959	92,604,521

Smartwell Technology Inc.
Consolidated Statements of Changes in Equity
Expressed in Canadian dollars

	Number of shares issued	Share capital	Additional paid-in capital	Subscription receivable	Accumulated other comprehensive income (loss)	Retained earnings (Deficit)	Total
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	91,830,000	542,150	478,061	(200)	5,601	(457,722)	567,890
Shares issued for cash	1,850,000	353,585	-	-	-	-	353,585
Subscription receivable	-	-	-	200	-	-	200
Loss for the year	-	-	-	-	-	(618,476)	(618,476)
Foreign currency translation difference	-	-	-	-	(26,658)	-	(26,658)
Balance, December 31, 2023	93,680,000	895,735	478,061	-	(21,057)	(1,076,198)	276,541
Shares issued for cash	4,050,000	784,429	-	-	-	-	784,429
Shares issuance costs	-	(19,442)	-	-	-	-	(19,442)
Loss for the year	-	-	-	-	-	(795,146)	(795,146)
Foreign currency translation difference	-	-	-	-	4,640	-	4,640
Balance, December 31, 2024	97,730,000	1,660,722	478,061	-	(16,417)	(1,871,344)	251,022

Smartwell Technology Inc.

Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the years ended December 31,

	2024	2023
	\$	\$
Operating activities		
Net loss before income tax for the year	(795,146)	(594,849)
Items not affecting cash		
Accretion of interest	959	-
Amortization of right-of-use assets	5,369	-
Depreciation	-	13,190
Allowance (recovery) of credit loss	(63)	378,080
Changes in non-cash working capital:		
Accounts receivable	(116,679)	(101,600)
Other receivables	37,960	70,843
Accounts payable and accrued liabilities	85,028	54,605
Contract assets	-	(4,221)
Prepays	208,659	(118,079)
Refundable lease deposit	(11,438)	-
Due to/from related parties	53	95,592
	(585,298)	(206,439)
Income tax paid	-	(14,496)
Total cash used in operating activities	(585,298)	(220,935)
Financing activities		
Shares issued for cash	764,987	353,785
Lease payment	(17,586)	-
Net loan (paid to)/repaid from employees	39,042	(89,701)
Loan to a related party	(54,273)	(118,290)
Loan from a third party	38,126	-
Total cash provided by financing activities	770,296	145,794
Change in cash	184,998	(75,141)
Effect of exchange rate changes on balance of cash held in foreign currencies	(2,986)	(9,292)
Cash, beginning of the year	20,582	105,015
Cash, ending of the year	202,594	20,582

Supplement disclosure in respect with cash flows (Note 18)

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

1. NATURE OF OPERATIONS

Smartwell Technology Inc. ("Smartwell" or the "Company") was incorporated on June 22, 2021, by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered office of the Company is located at 1600 – 409 Granville Street, Vancouver, British Columbia, V7C 1T2.

On July 7, 2022, the Company completed an equity exchange arrangement with Beijing Zhongnong Internet Information Co., Ltd. ("Beijing Zhongnong") and its subsidiaries under common control, whereby it acquired 100% ownership of Beijing Zhongnong and its subsidiaries through Zhongnong Internet Group Limited ("HongKong Zhongnong") a fully owned subsidiary in Hong Kong. As a result of this reorganization, the Company is involved in the business of providing IT consulting, data technology and software service to businesses in China. The Company has accounted for the common control transaction in a manner similar to a pooling of interests with the assets and liabilities of the parties to the reorganization carried over at their historical amounts whereby the consolidated financial statements have been retrospectively restated as if the businesses had always been combined.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on March 2nd, 2026.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollar ("C\$"), which is the functional currency of the parent company, Smartwell. The Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiaries operate ("the functional currency"), which is the Chinese Renminbi ("RMB") for Beijing Zhongnong and its subsidiaries in China. These consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period).

Transactions and balances

In preparing the consolidated financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

2. BASIS OF PREPARATION (cont'd...)

Consolidation

These consolidated financial statements include the balances and results of the Company and those entities over which the Company exercises control:

Subsidiary	Jurisdiction	Date of incorporation	Nature of business	Direct or Indirect Ownership	
				December 31, 2024	December 31, 2023
Zhongnong Internet Group Limited ("HongKong Zhongnong")	Hong Kong, China	April 14, 2022	Holding company	100%	100%
Beijing Zhongnong Internet Information Co., Ltd. ("Beijing Zhongnong")	Beijing, China	May 25, 2015	Technology services	100%	100%
Nanjing Weifen Space Technology Co. Ltd. ("Nanjing Weifen")	Nanjing, China	May 15, 2019	Technology services	100%	100%
Beijing Weifen Qihang Technology Co., Ltd. (Beijing Weifen")	Beijing, China	March 1, 2021	Technology services	100%	100%

The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

Going Concern

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis which assumes the continued realization of assets and satisfaction of liabilities and commitments in the normal course of business.

These consolidated financial statements do not indicate any adjustments that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities other than in the normal course of business.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company had accumulated deficit of \$1,871,344 and working capital of \$161,385 as of December 31, 2024, incurred a net loss of \$795,146 and \$618,476 and had negative cash flows from operations of \$585,298 and \$220,935 for the years ended December 31, 2024 and 2023 respectively. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to raise capital from new equity or debt, the successful development and marketing of its products, and attaining profitable operations in the future. If the Company is unable to continue as a going concern, then the carrying value of certain assets and liabilities could differ materially from the values presented in the consolidated financial statements.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

a) Going concern evaluation

As discussed in note 2, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period.

b) Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied. Deferred tax assets are estimated with consideration given to the timing, sources and amounts of future taxable income.

c) Expected credit loss

The Company makes estimates for expected credit loss in respect of accounts receivables, other receivables, contract assets, loan to employees, loan to a related party and due from related parties based on IFRS 9 – Financial instruments. The expected credit loss is estimated based on management's assessment of the credit history with the customers, current relationship with them and also taking into consideration of forward-looking information. A change in customers' payment behavior or financial position could impact the expected credit loss recorded in the accounts. If actual credit losses differ from estimates, future earnings would be affected.

d) Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its loan payable and an incremental borrowing rate in determining the right-of-use asset. The determination of market interest rate is subjective and could significantly affect the fair value estimate.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The Company applies the exemption not to recognize right-of-use assets ("ROU") and lease liabilities for leases relating to low-value assets. The ROU asset is initially measured based on the initial amount of the lease liability plus any initial direct costs incurred less any lease incentives received. The ROU asset is depreciated to the end-of-the-useful-life or the lease term, whichever comes earlier, using the straight-line method. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method and remeasured when there is a change in future lease payments.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient to not recognize right-of-use assets and lease liabilities for low-value assets or short-term leases under 1 year that are not expected to renew. As of the adoption date, the Company only had one short-term lease relating to office where no right-of-use assets or lease liabilities were recognized.

Revenue recognition

The Company's arrangements with customers include system design, development and implementation services, either with or without hardware sales as add-ons; general technology consulting services; and hardware sales.

The Company applies the five-step model to contracts when it is probable that the Company will collect the consideration that it is entitled to in exchange for the services and goods transferred to the customer.

At contract inception, the Company assesses services promised within each contract that falls under the scope of IFRS 15, to identify distinct performance obligations.

Revenue from the sale of hardware is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer (i.e. the goods are delivered), recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Revenue recognition (cont'd...)

Revenue from the sale of hardware is measured at the fair value of the consideration received or receivable, net of returns. There were no material returns during the years ended December 31, 2024 or 2023.

Revenue related to system design, development and implementation services are recognized over a period of time as the services are provided. Services related to the system design, development and implementation sometimes involves the sales of hardware which is considered as an integrated required element of the service and are essential to the functionality for the customer, and therefore are not separately accounted. Revenue from the system design, development and implementation is charged on a fixed price basis.

Revenue from general technology consulting services is charged on a fixed price basis and is recognized over a period of time as the services are provided.

For revenue related to system design, development and implementation services, and general technology consulting services, the Company recognizes revenue over a period of time using output method as the Company's performance does not create an asset with alternative use and the Company has an enforceable right to payment for work completed to date. The output method, based on milestones achieved or services delivered as outlined in customer agreements, faithfully depicts the transfer of services to the customer.

The Company has no uncompleted sales contracts as at December 31, 2024 and 2023, therefore, there is no revenue recognized from prior year's satisfied or partially satisfied performance obligation and also there is no amount of the transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period-

For certain system design, development and implementation services contracts, the customers require the Company to provide a warranty for a period of 1 years after the completion of the implementation. The Company determines that such product warranty is not a separate performance obligation because the nature of the warranty is to provide assurance that a product will function as expected and comply with agreed-upon specifications. The Company has not sold the warranty separately. Because of the nature of the projects, including contract owner inspections of the work prior to acceptance, the Company has not paid material warranty costs in the past and the management does not expect such material payments in the future, and therefore does not consider an accrual for these costs is necessary.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Income taxes (cont'd...)

Deferred tax is measured at tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Research and development costs

Expenditure on research activities is recognized as an expense as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognized as an expense as incurred.

As at December 31, 2024 and 2023, there are no capitalized research and development costs.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Financial instruments

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

Expressed in Canadian dollars

For the years ended December 31, 2024 and 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Financial instruments (cont'd...)

Financial assets

The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

- a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
 - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
 - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- c) Fair value through profit or loss ("FVTPL") - any financial assets that are not held in one of the two business models mentioned are measured at FVTPL.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash which is classified as fair value through profit or loss, accounts receivables, other receivables, due from related parties, loan to employees and loan to a related party which are measured at amortized cost.

Financial liabilities

The Company's liabilities include accounts payable and accrued liabilities, lease liabilities and due to related parties which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

Financial assets and liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of non-financial assets

Non-financial assets include fixed assets. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation are based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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4. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Expected credit losses

The Company assesses at each reporting date whether there is any evidence that its trade receivables, other receivables, contract assets, due from related parties, loan to employees, loan to a related party and refundable lease deposit are impaired. The Company uses the simplified approach for measuring impairment for its trade receivables without a significant financing component, and other receivables, loan to employees, loan to a related party and refundable lease deposit. For these financial assets, the Company does not determine if the credit risk for these instruments has increased significantly since initial recognition. Instead, a loss allowance is recognized based on lifetime expected credit losses ("ECL") at each reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. In addition, the Company also uses the individual specific valuation method to estimate the credit loss for accounts receivables aged over one year. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract. A contract liability would also be recognised if the Company has an unconditional right to receive consideration before the Company recognises the related revenue.

Segment reporting

The management has determined that the Company operates as one segment. The Company's chief operating decision maker reviews financial information on an aggregated and consolidated basis, together with certain operating and performance measures principally to make decisions about how to allocate resources and to measure the Company's performance.

Earnings per share

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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4. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd...)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Government grants

Government grants are recognized when there is reasonable assurance that (a) the Company will comply with the conditions attaching to them; and (b) the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

New and amended and future accounting pronouncements

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates:

IFRS 18 – Presentation and Disclosure in Financial Statements Effective for annual periods beginning on or after 1 January 2027.

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for “operating profit or loss”, “profit or loss before financing and income taxes” and “profit or loss”.

5. CASH

As of December 31, 2024, cash of \$113,956 (RMB 577,481) (December 31, 2023 - \$20,163 (RMB 107,611)) resided in Mainland China. Under Chinese law, cash advanced to the Company’s Chinese subsidiaries as registered share capital is maintained in the subsidiaries’ registered capital bank account. Accordingly, the remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China, or both.

Smartwell Technology Inc.

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6. ACCOUNTS RECEIVABLE

	December 31, 2024	December 31, 2023
Receivables from third-party customers	\$ 645,375	\$ 498,124
Allowance for expected credit loss	(477,800)	(453,752)
	<u>\$ 167,575</u>	<u>\$ 44,372</u>

Set out below is the movement in the allowance (recovery) of expected credit loss of trade receivables:

	Expected credit loss
Balance, December 31, 2022	\$ 97,155
Expected credit loss of accounts receivable	367,801
Foreign exchange effect	(11,204)
Balance, December 31, 2023	<u>453,752</u>
Expected credit loss (recovery) of accounts receivable	(63)
Foreign exchange effect	24,111
Balance, December 31, 2024	<u>\$ 477,800</u>

7. OTHER RECEIVABLES

As of December 31, 2024 and 2023, other receivables mainly consisted of advances to employees for contract implementation activities, which will be expensed when expenses occurred.

8. REFUNDABLE LEASE DEPOSIT

Refundable lease deposit as of December 31, 2024 are refundable deposit paid for the office lease (Note 9), which is expected to be collected more than 1 year after the financial reporting date. There is no current refundable lease deposit as of December 31, 2024

9. RIGHT OF USE ("ROU") ASSETS AND LEASE LIABILITIES

On December 5, 2024, the Company entered into an office lease agreement for a 24-month lease period starting December 16, 2024. The monthly lease payment is \$5,862 (RMB30,750). In accordance with IFRS 16 *Leases*, the Company recorded right-of-use assets of \$136,174 and recognized lease liabilities of \$136,174 on commencement of the lease. As at December 5, 2024, the Company measured the present value of its lease liabilities using a discount rate of 7.2% as determined from its incremental borrowing rate.

a) Right-of-use assets

A reconciliation of the Company's right-of-use assets for the year ended December 31, 2024 as follows:

	Total
Balance, December 1, 2022 and 2023	\$ -
Initial recognition of new office lease	136,174
Amortization of ROU assets	(5,369)
Foreign exchange effect	(190)
Balance, December 31, 2024	<u>\$ 130,615</u>

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

9. RIGHT OF USE (“ROU”) ASSETS AND LEASE LIABILITIES (cont’d...)

b) Lease liabilities

A reconciliation of the Company’s lease liabilities for the year ended December 31, 2024 is as follows:

	Total	
Balance, December 1, 2022 and 2023	\$	-
Initial recognition of new office lease		136,174
Accretion of interest		959
Lease payment		(17,586)
Foreign exchange effect		(586)
Balance, December 31, 2024	\$	118,961

	December 31, 2024	December 31, 2023
Short-term portion of lease liability	\$ 66,143	\$ -
Long-term portion of lease liability	\$ 52,818	\$ -

Maturity Analysis of Lease Liabilities

The following table details the undiscounted cash flows of the Company's lease liabilities on an annual basis, reconciled to the carrying amount presented in the statement of financial position:

	31 December 2024
No later than 1 year	\$70,343
Later than 1 year and no later than 2 years	52,757
Total undiscounted lease payments	123,101
Less: Impact of discounting	4,140
Total carrying amount of lease liabilities	118,961

10. LOAN TO EMPLOYEES

As of December 31, 2024, the Company has interest free loans of \$52,362 (December 31, 2023 - \$88,095) to two employees. There is no written loan agreement. The loans are due on demand and have no fixed term of repayment. The continuity of loan to employees are as follows:

	Loan to employees
Balance as of December 31, 2022	\$ -
Loan to employee	91,080
Repayment	(1,379)
Foreign exchange effect	(1,606)
Balance as of December 31, 2023	88,095
Loan to employee	58,789
Repayment	(97,831)
Foreign exchange effect	3,309
Balance as of December 31, 2024	\$ 52,362

As of the date of issuance of the consolidated financial statements, the balance of loan to employees has been fully repaid.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

11. SHORT-TERM LOAN FROM A THIRD PARTY

As of December 31, 2024, the Company received a short-term loan of \$39,466 (RMB200,000) from an arm-length party. The short-term loan is non interest bearing and to be repaid by December 31, 2025.

In March 2025, The Company repaid \$20,588 (RMB 108,000) short-term loan and the remaining loan balance is expected to be repaid before December 31, 2025.

12. PROPERTY AND EQUIPMENT

	Equipment
Cost	
Balance, December 31, 2022	\$ 40,800
Foreign exchange effect	(1,938)
Balance, December 31, 2023 and 2024	\$ 38,862
Accumulated amortization	
Balance, December 31, 2022	27,200
Additions	13,190
Foreign exchange effect	(1,528)
Balance, December 31, 2023 and 2024	\$ 38,862
Carrying amounts	
At December 31, 2023 and 2024	\$ -

13. SHAREHOLDERS' EQUITY

Authorized - unlimited number of common shares without par value

Share issuance

At December 31, 2024, the Company had 97,730,000 (December 31, 2023 – 93,680,000) common shares issued and outstanding.

On October 10, 2024, the Company issued 2,500,000 shares at RMB1.00 per share for gross proceeds of \$478,940. The Company paid/accrued cash finders' fees of \$19,442.

On December 20, 2024, the Company issued 1,550,000 shares at RMB1.00 per share for gross proceeds of \$305,489.

During the year ended December 31, 2023, the Company issued 1,850,000 shares at RMB1.00 per share for gross proceeds of \$353,585 (RMB 1,850,000).

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

14. RELATED PARTY TRANSACTIONS

i) During the year ended December 31, 2024, the Company paid or accrued a salary of \$25,163 (2023 - \$22,895) and social welfare fund contribution of \$7,435 (2023 - \$7,281) to the director and CEO of the Company. As of December 31, 2024, the Company was owed \$20,477 (December 31, 2023 - \$21,852) by the CEO.

As of December , 2024, the Company also has an interest free loan of \$178,527 (December 31, 2023 - \$116,172) due from the director and CEO. There is no written loan agreement. The loan is due on demand and has no fixed term of repayment. The continuity of loan to CEO is as follows:

	Loan to CEO
Balance as of December 31, 2022	\$ -
Loan to CEO	302,787
Repayment	(184,497)
Foreign exchange effect	(2,118)
Balance as of December 31, 2023	116,172
Loan to CEO	170,406
Repayment	(116,133)
Foreign exchange effect	8,082
Balance as of December 31, 2024	\$ 178,527
Subsequent payment	\$ 178,527
Balance as of November 6, 2025	\$ -

ii) During the year ended December 31, 2024, the Company paid or accrued a salary of \$91,503 (2023 - \$91,580) and social welfare fund contribution of \$25,714 (2023 - \$23,944) for the CTO of the Company. The amount was recorded as service costs. As of December 31, 2024, the Company owed to the CTO \$57,114 (December 31, 2023 - \$31,358).

iii) During the year ended December 31, 2024, the Company paid or accrued legal fee (professional services) of \$50,320 (2023 - \$68,320) to a law firm of which a partner is a director of the Company. As of December 31, 2024, the Company owed to the law firm \$Nil (December 31, 2023 - \$4,480) which is recorded in due to related parties.

iv) During the year ended December 31, 2024, the Company accrued consulting fee (professional services) of \$Nil (2023 - \$26,145) to Bizfield Accelerator Inc. ("Bizfield"), a company controlled by the same director. As of December 31, 2024, the Company owed to the Bizfield \$Nil (December 31, 2023 - \$2,620) which is recorded in due to related parties.

On August 8, 2020, the Company entered into a Financing and Listing Service Agreement with Bizfield, according to which, Bizfield will providing consulting service to assist the Company going public in Canada for a total service fee of \$133,500. The service fee is payable by a) \$90,000 in shares (issued); b) \$22,500 within 5 business days after a pre-filing meeting with TSX-V (paid); and c) \$21,000 within 5 business days after listing.

v) As of December 31, 2024, the Company had a payable of \$Nil (December 31, 2023 - \$18,737) to Beijing Hanpu Biotech Co., Ltd. ("Hanpu"), a company controlled by Yang He, the CEO and Director of the Company.

Due to and from related parties do not bear interest, are unsecured and repayable on demand.

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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14. RELATED PARTY TRANSACTIONS (cont'd...)

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than the transactions disclosed above, there was no other compensation paid to key management during years ended December 31, 2024 and 2023.

15. CAPITAL RISK MANAGEMENT

The Company defines capital as the items included in shareholders' equity. The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern, ensure sufficient capital and liquidity to complete its technology developments, establish commercial markets and pursue its growth strategy.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the development efforts, the Company does not pay out dividends during its development stage.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the reporting period.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2024 and 2023, the Company's financial instruments comprised cash, accounts receivable, other receivables, due to/from related parties, loan to employees, loan to a related party, refundable lease deposit, accounts payable and accrued liabilities, and lease liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities except for long-term lease liabilities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2024 and 2023, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy. Significant unobservable inputs are used in discount cash flows method to determine the fair value of the lease liabilities. Consequently, these fair value measurements are classified within Level 3 of the fair value hierarchy. There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the years ended December 31, 2024 and 2023.

The Company's receivables, accounts payable and accrued liabilities, due to/from related parties, loan to/from employees, refundable lease deposit and related parties are measured at amortized cost. The Company's carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments. The carrying amounts of lease liabilities approximate their fair value as they are discounted at the current market rate of interest.

Smartwell Technology Inc.

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16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk, liquidity risk, interest rate risk, and concentration risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. As of December 31, 2024 and 2023, the Company was primarily exposed to credit risk attributable to cash, trade receivable, other receivables, due from related party, loan to employees and a related party, and refundable lease deposit. The maximum credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 4 Material Accounting Policy Information – Expected Credit Loss. The Company limits exposure to credit risk attributable to cash by maintaining its cash with large financial institutions.

The Company regularly reviews the collectability of its trade receivable and other receivables and establishes an allowance account for credit losses based on its best estimate of any potentially uncollectible amounts. As December 31, 2024, the Company estimated an allowance of credit loss of 100% (December 31, 2023 - 100%) for accounts receivable outstanding from the customers that are individually assessed due to significant credit risk identified and 0.00% (December 31, 2023 – 0.14%) on remaining accounts receivable. The Company considers trade receivables outstanding for more than one year as at the reporting date to represent a significant increase in credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2024, the Company had a cash balance of \$202,594 (December 31, 2023 - \$20,582) to settle current liabilities of \$491,060 (December 31, 2023 - \$286,287). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company needs further funding to meet its short-term and long-term cash requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risks is insignificant.

Concentration risk

During the year ended December 31, 2024, revenue from three customers is over 10% of the total revenue, the total of which is RMB 11,788,199 (\$2,247,210) (2023 – two customers, RMB 6,570,755; \$1,253,640), representing 91% (2023 – 59%) of total revenue of the period.

For the year ended December 31, 2024	Amount	Percentage of total revenue
Customer D	\$ 1,633,124	66%
Customer B	353,316	14%
Customer C	260,770	11%
	2,247,210	91%

Smartwell Technology Inc.

Notes to the Consolidated Financial Statements

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For the years ended December 31, 2024 and 2023

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Concentration risk (cont'd...)

For the year ended December 31, 2023	Amount	Percentage of total revenue
Customer D	\$ 935,955	44%
Customer E	317,685	15%
	\$ 1,253,640	59%

As of December 31, 2024, accounts receivable from three customers is RMB743,490 (\$146,714) (December 31, 2023 – two customers, RMB219,692 (\$41,165)), accounted for 87.6% of total accounts receivable (December 31, 2023 – two customers, accounted for 92.8% of total accounts receivable). Accounts receivable from customer D presents Nil% of total accounts receivable at December 31, 2024.

During the year ended December 31, 2024, purchase from one supplier is over 10% of major purchases consisting of services costs, cost of goods sold and research and development expenses. Purchase from that one supplier is RMB9,669,811 (\$1,843,379) (2023 – another one supplier, RMB5,472,370; \$1,044,086), representing 56% (2023 – 38%) of total major purchases of the period.

17. SEGMENTED INFORMATION

The Company has one reportable segment: the IT consulting, data technology and software service in China. The management has determined that the Company operates as one segment. The Company's chief operating decision maker reviews financial information on an aggregated and consolidated basis, together with certain operating and performance measures principally to make decisions about how to allocate the resources and to measure the Company's performance.

All revenues are derived from external customers in PRC. The Company's non-current assets, excluding financial instruments, mainly comprise of right-of-use assets related to lease located in PRC.

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2024, the Company recorded:

- 1) \$136,173 of lease liability in exchange for the right-of use assets.
- 2) \$14,581 of share issuance costs in loan to a related party and \$4,861 in accounts payable.

There were no significant non-cash investing and financing transactions during the year ended December 31, 2023.

Smartwell Technology Inc.

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19. PROPOSED TRANSACTIONS

Proposed financing with Research Capital Corporation

On August 25, 2022, the Company accepted a financing proposal from Research Capital Corporation ("RCC"), according to which, RCC will act as lead agent and sole bookrunner, on a best-efforts basis, for a brokered private placement offering of up to 2,500,000 units (the "Units") a price of \$0.20 per Unit for gross proceeds up to \$500,000 (the "Initial Offering").

Each Unit will consist of one common share of the Company and one common share purchase warrant. Each Warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.50 in a 24-month period.

Upon closing of the Initial Offering, the Company intends to complete a subsequent private placement of a \$1,500,000 (the "Subsequent Offering") in subscription receipts. Each one subscription receipt will be automatically exchanged into one Unit under the same terms as the Initial Offering.

The Company will grant RCC an option (the "Over-Allotment Option") to increase the number of Units to be sold in Subsequent Offering by up to 15%.

The Company will pay to RCC a cash commission equal to 6% of the gross proceeds arising from the Initial Offering and Subsequent Offering. The Company will also grant RCC broker warrants exercisable at \$0.20 per Unit within 24-month period to purchase the number of Units of the Company in an amount equal to 6% of the number of Units and subscription receipts issued in the Initial Offering and Subsequent Offering.

At closing, the Company also shall pay to RCC a corporate finance fee equal to 2% of the gross proceeds arising from the Initial Offering and Subsequent Offering, and corporate finance fee warrants exercisable at \$0.20 per Unit within 24-month period to purchase the number of Units of the Company in an amount equal to 2% of the number of Units and subscription receipts issued in the Initial Offering and Subsequent Offering.

In addition, upon closing, the Company shall pay to RCC a work fee of \$50,000 plus GST. Upon execution of this proposal, the Company shall pay RCC \$15,000 (paid) as a retainer.

The Company is responsible for RCC's reasonable expenses related to the offering, including but not limited to estimated legal fees of \$45,000 and other disbursements and expenses of \$10,000. The Company paid \$15,000 as a retainer to RCC to be applied against the expenses incurred by RCC.

Proposed transaction with Inceptus Capital Ltd.

Inceptus Capital Ltd. (the "Inceptus") was incorporated under the provincial Business Corporations Act (British Columbia) on February 1, 2017 and its registered office is at 530, 355 Burrard Street, Vancouver, BC V6C 2G8 Canada. On November 9, 2017, the Company completed its initial public offering ("IPO") and listed on the TSX Venture Exchange ("TSX-V") under the symbol of "ICLP". The Company is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX-V.

On January 17, 2022, the Company and Inceptus entered into a letter of intent (the "LOI"), pursuant to which, Inceptus will acquire 100% of the issued common shares of the Company by issuing one share in exchange for every one outstanding common share of the Company.

On May 27, 2022 the Company and Inceptus agreed to change the terms of the LOI to a Binding Letter Of Intent (the "BLOI"). The terms and conditions in the LOI dated January 17, 2022 remain unchanged. As consideration, the Company paid a non refundable deposit of \$30,000 which will be used for the retainer for Inceptus' legal counsel and auditors and promotion expenses. If the Company terminates the BLOI, the \$30,000 will be forfeited by Inceptus as the break fee, and the Company will pay an additional \$20,000 break fee.

Smartwell Technology Inc.

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20. INCOME TAX

The Company is subject to income taxes on income generated in the jurisdictions in which it does business.

Pursuant to the China Income Tax Laws, the statutory tax rate of the Enterprise Income Tax (“EIT”) for the years ended December 31, 2024 and 2023 was 20%, being normal EIT rate at 25% minus temporary COVID relief of 5%. Beijing Zhongnong, Nanjin Weifen and Beijing Wenfei are subject to income tax in China.

According to the tax laws in Hong Kong, the income tax rate is 16.5% on income earned in that jurisdiction. Hong Kong Zhongnong has no operation from its incorporation on April 14, 2022 to December 31, 2024.

According to Canadian federal and provincial enacted Corporate Tax Act, the income tax rate is 27% for the years ended December 31, 2024 and 2023.

A reconciliation of income taxes at Canadian statutory rates (2024 – 27%; 2023 – 27%) with the reported taxes is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
	\$	\$
Loss for the year before income tax	(795,146)	(594,849)
Expected income tax	(214,689)	(160,609)
Differentials in statutory, tax rate of foreign jurisdictions, foreign exchange rate and other	118,631	152,058
Permanent differences	(7,226)	(211,605)
Change in unrecognized tax benefits	103,284	243,783
Total income tax expenses	-	23,627

The following is the analysis of recognized deferred tax liabilities and deferred tax assets:

	2024	2023
	\$	\$
Deferred tax assets		
Share issuance costs	4,000	-
Non-capital losses	371,362	499,293
Deferred tax assets	375,362	499,293
Unrecognized deferred tax assets	(375,362)	(499,293)
Net deferred tax assets (liabilities)	-	-

Smartwell Technology Inc.

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For the years ended December 31, 2024 and 2023

20. INCOME TAX (cont'd...)

The significant components of the Company's deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	2024	Expiry Date Range	2023	Expiry Date Range
	\$		\$	
Temporary differences:				
Share issuance costs	4,000	2045-2049	-	Not applicable
Non-capital losses available for future periods				
China	3,177,805	2025-2034	1,900,232	2024-2033
Canada	701,454	2042-2044	441,653	2041-2043

Tax attributes are subject to review, and potential adjustment, by tax authorities.

21. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through the date of these consolidated financial statements are available for issuance Except as otherwise described in these consolidated financial statements, the Company did not identify any subsequent events that would require adjustment or disclosure in the consolidated financial statements.

SMARTWELL TECHNOLOGY INC.
Management Discussion and Analysis
For the Year Ended December 31, 2024

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at March 2nd, 2026 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2024 and 2023 of Smartwell Technology Inc. (the “Company” or “Smartwell”) with the related notes thereto. Those financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Forward-Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to internet and social media industry (see section “Business Risks” herein). Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

Description of Business

Smartwell was incorporated on June 22, 2021, by Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia). The head office and registered office of the Company is located at 1600 – 409 Granville Street, Vancouver, British Columbia, V7C 1T2.

On July 7, 2022, the Company completed an equity exchange arrangement with Beijing Zhongnong Internet Information Co., Ltd. (“Beijing Zhongnong”) and its subsidiaries under common control, whereby it acquired 100% ownership of Beijing Zhongnong and its subsidiaries through the Company’s wholly owned subsidiary Zhongnong Internet Group Limited (“HongKong Zhongnong”) in Hong Kong. As a result of this reorganization, the Company is involved in the business of providing IT consulting, data technology and software service to businesses in China.

Smartwell, through its subsidiaries in China, is involved mainly in internet technology and service business in China:

1) System development services

The main business of Beijing Zhongnong is providing Controlled Environment Agriculture (CEA) system development services, which improves the quality and yield of crops for high-value indoor farming customers to enhance economic benefits and to make the whole growing process smarter and greener.

The system development and implementation service could be performed as service alone, or at sometimes it is combined with sales to customers of electronic devices (sensors, monitors, transmitters, computers and other electronic devices) that are needed in order to deliver the final product/result.

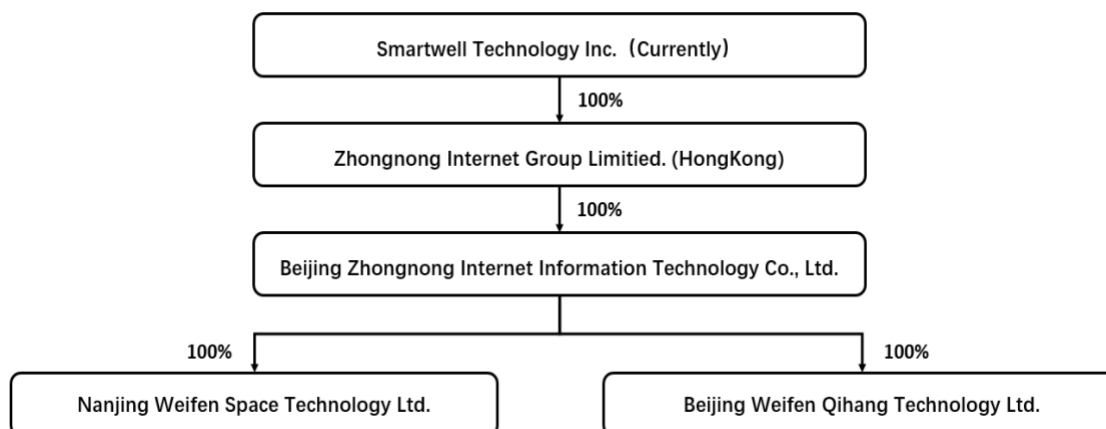
2) Technology consulting services

Various technology consulting services other than their major IT services as described in 1), namely the CEA services.

3) Hardware sales

Beijing Zhongnong sells electronic devices to its customers as per their request in a stand-alone contract.

Corporate Structure



Smartwell was incorporated on June 22, 2021 pursuant to the provisions of the Business Corporations Act (British Columbia), Canada.

Zhongnong Internet Group Limited (“HongKong Zhongnong”) was incorporated on April 14, 2022 in Hong Kong. Beijing Zhongnong Internet Information Co., Ltd. (“Beijing Zhongnong”) was incorporated on May 25, 2015 in Beijing, China.

Nanjing Weifen Space Technology Co. Ltd. (“Nanjing Weifen”) was incorporated on May 15, 2019 in Nanjing, Jiangsu Province, China.

Beijing Weifen Qihang Technology Co., Ltd. (Beijing Weifen”) was incorporated on March 1, 2021 in Beijing China

On July 7, 2022, the Company, HongKong Zhongnong and each of the 15 shareholders of Beijing Zhongnong, entered into an equity exchange agreement. Pursuant to the agreements, the Company issued a total of 88,000,000 common shares to the shareholders of Beijing Zhongnong, while the 15 shareholders transferred their 100% shareholdings in Beijing Zhongnong to HongKong Zhongnong, a wholly-owned subsidiary incorporated by the Company for the purpose of this transaction. As a result of the share exchange, the 15 original Beijing Zhongnong shareholders owned 100% of the Company on July 7, 2022, immediately after the share exchange, and the Company owns 100% of Beijing Zhongnong through its subsidiary, HongKong Zhongnong.

Company overview

Proposed transaction with Inceptus Capital Ltd.

Inceptus Capital Ltd. (the “Inceptus”) was incorporated under the provincial Business Corporations Act (British Columbia) on February 1, 2017 and its registered office is at 530, 355 Burrard Street, Vancouver, BC V6C 2G8 Canada. On November 9, 2017, Inceptus completed its initial public offering (“IPO”) and listed on the TSX Venture Exchange (“TSX-V”) under the symbol of “ICLP”. Inceptus is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX-V.

On January 17, 2022, the Company and Inceptus entered into a letter of intent (the “LOI”), pursuant to which, Inceptus will acquire 100% of the issued common shares of the Company by issuing one share in exchange for every one outstanding common share of the Company.

On May 27, 2022 the Company and Inceptus agreed to change the terms of the LOI to a Binding Letter of Intent (the “BLOI”). The terms and conditions in the LOI remain unchanged. As consideration, the Company paid a non refundable deposit of \$30,000 which will be used for the retainer for Inceptus’ legal counsel and auditors and

promotion expenses. If the Company terminates the BLOI, the \$30,000 will be forfeited to Inceptus as the break fee, and the Company will pay an additional \$20,000 break fee.

Share issuances

During the year ended December 31, 2023, the Company issued 1,850,000 shares at RMB1.00 per share for gross proceeds of \$353,585 (RMB1,850,000).

On October 10, 2024, the Company issued 2,500,000 shares at RMB1.00 per share for gross proceeds of \$478,940. The Company paid/accrued cash finders' fees of \$19,442.

On December 20, 2024, the Company issued 1,550,000 shares at RMB1.00 per share for gross proceeds of \$305,489.

At December 31, 2024, the Company had 97,730,000 (December 31, 2023 – 93,680,000) common shares issued and outstanding.

Selected Annual Financial Information

The following selected financial information is derived from the audited financial statements and notes thereto.

	As at December 31,		
	2024	2023	2022
Current assets	\$ 652,445	\$ 562,828	\$ 728,647
Non-current assets	142,455	-	13,600
Total assets	794,900	562,828	742,247
Current liabilities	491,060	286,287	174,357
Long term liabilities	52,818	-	-
Shareholders' equity	251,022	276,541	567,890
Total liabilities and equity	\$ 794,900	\$ 562,828	\$ 742,247
Working capital	\$ 161,385	\$ 276,541	\$ 554,290

	Years ended December 31,		
	2024	2023	2022
Revenue	\$ 2,478,369	\$ 2,117,503	\$ 1,646,904
Gross profit	2,103,332	1,851,716	1,430,467
Expenses and other items	(2,898,478)	(2,446,565)	(1,510,849)
Net loss before income tax	\$ (795,146)	\$ (594,849)	\$ (80,382)
Income taxes	-	(23,627)	(1,031)
Net loss	\$ (795,146)	\$ (618,476)	\$ (81,413)
Exchange difference on translating foreign operations	4,640	(26,658)	(6,871)
Comprehensive loss	\$ (790,506)	\$ (645,134)	\$ (88,284)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)
Dividends per share	\$ -	\$ -	\$ -

Results of Operations

Year ended December 31, 2024 and 2023

During the year ended December 31, 2024, the Company incurred a net loss of \$795,146, compared with \$618,476 for comparative year ended December 31, 2023. The Company currently has generated revenue from providing CEA system development services, general technology consulting services and sales of hardware. As the Company operates under a project-based business model, its results may fluctuate from period to period depending on the timing, scale and nature of projects completed during the year.

The losses are mainly comprised of the following items:

- During the year ended December 31, 2024, the Company generated revenue of \$2,053,952 (2023 - \$1,406,657) from system development service, \$267,293 (2023 - \$470,575) from general technology consulting services and \$157,124 (2023 - \$240,271) from sales of hardware. Corresponding to the revenue, the Company incurred costs of \$220,958 (2023 - \$131,259) in relation to service revenue and \$154,079 (2023 - \$134,528) in relation to the sales of hardware.
- Depreciation of \$Nil (2023 - \$13,190) was mainly from amortizing computer equipment purchased in December 2020. The computer equipment was fully amortized in the year ended December 31, 2023.
- Amortization of right-of-use assets of \$5,369 (2023 - \$Nil) was amortization of leased office over 24 months starting December 16, 2024.
- Office and miscellaneous expenses of \$12,037 (2023 - \$17,607) includes meals and entertainment, office supplies, and other office expenses incurred in Beijing Zhongnong office in China.
- Professional fees of \$259,037 (2023 - \$357,388) are consulting, legal, accounting and audit fees, mainly related to the Company's proposed listing in Canada. Significant professional fees included auditing fee of \$132,841 (2023 - \$137,216), legal fees of \$50,320 (2023 - \$68,320) paid to a law firm of which a director is a founder; accounting fees of \$41,134 (2023 - \$53,366) for preparing the consolidated financial statements.
- Research and development expenses of \$2,277,269 (2023 - \$1,378,945) mainly consisted of purchase of technology and data services in relation to model development. The nature and drivers of the year-over-year change are discussed further under "Research and Development Expenses" below.
- Salary and benefits of \$181,892 (2023 - \$150,431) are general administrative, sales and office employees in China.
- Listing expenses of \$133,008 (2023 - \$142,972) are expenses related to listing in Canada including TSX Venture filing fees, and legal and auditing expenses paid for Inceptus.
- Travel expenses of \$9,107 (2023 - \$15,438) are incurred for travelling in China.
- Recovery of \$63 (2023 - allowance of \$378,080) of credit loss is related to management's estimation of collectability of trade receivable at year end.

Revenue

For the year ended December 31, 2024, the Company generated total revenue of \$2,478,369, representing an increase of \$360,866, or approximately 17.0%, compared to revenue of \$2,117,503 for the year ended December 31, 2023. The increase in revenue was primarily attributable to changes in the scale, composition and pricing of the Company's system development projects.

Revenue for the year ended December 31, 2024 consisted of the following:

- System development services of \$2,053,952 (2023 - \$1,406,657);
- Technical consulting services of \$267,293 (2023 - \$470,575); and
- Hardware sales of \$157,124 (2023 - \$240,271).

Revenue from system development services increased by approximately 46.0% compared to the prior year and was the principal driver of the Company's overall revenue growth. This increase was mainly attributable to

- an increase in the number of completed major system development projects, with three large-scale CEA¹ system projects completed in 2024, compared to two such projects completed in 2023, which resulted in a corresponding increase in the number of customers served during the year; and

¹ **Large-scale CEA** refers to industrial, capital-intensive controlled-environment farming systems designed for mass commercial

- a higher average contract value per project in 2024, reflecting increased technical complexity, greater integration of the Company's proprietary crop growth data model, and expanded functional scope of delivered systems.

Revenue from technical consulting services decreased by approximately 43.2% compared to 2023. This decline was primarily attributable to management's decision to reallocate internal resources toward higher-margin system development projects, resulting in a reduction in standalone consulting engagements during the year.

Revenue from hardware sales decreased by approximately 34.6% compared to the prior year. Hardware sales are typically ancillary to system development projects, and year-to-year fluctuations reflect differences in project-specific hardware requirements rather than changes in pricing or underlying market demand.

In 2024, the Company's revenue remained concentrated among a limited number of customers. The Company's top three customers accounted for approximately 91% of total revenue, compared to approximately 59% contributed by the top two customers in 2023. The increase in customer concentration reflects the successful execution of several large-scale customer projects during the year. All system development and consulting contracts are entered into on a fixed-price basis, and higher revenue per project in 2024 was primarily driven by increased pricing associated with higher technical requirements and system customization.

Research and Development Expenses

For the year ended December 31, 2024, the Company incurred research and development ("R&D") expenses of \$2,277,269, representing an increase of \$898,324, or approximately 65.1%, compared to \$1,378,945 for the year ended December 31, 2023.

The increase in R&D expenses primarily reflects the Company's entry into an intensive development and training phase for its core crop growth data model. During 2024, R&D activities expanded in both number and scope, with multiple parallel initiatives focused on model training, validation and optimization across different crop varieties and growth environments, compared to more limited activities undertaken in 2023, which were primarily exploratory in nature and narrower in scope.

R&D expenditures in 2024 included significant costs associated with data acquisition and processing, including the collection, cleaning, labeling and validation of agricultural data across three to four consecutive full growth cycles for target crops. These activities were necessary to ensure data continuity and model accuracy.

In addition, model training and iterative optimization required increased use of cloud-based high-performance computing resources, resulting in higher computing-related expenses during peak development periods in 2024.

Although R&D expenditures are expensed as incurred in accordance with the Company's accounting policies, management considers the increased R&D spending in 2024 to represent a strategic investment in building the Company's core technological capabilities and intellectual property foundation. These investments are expected to support the development of more standardized and scalable solutions, contribute to future revenue growth, and reduce marginal costs in subsequent periods.

Summary of Quarterly Results

The Company was not a reporting issuer as of December 31, 2024 and as a result quarterly reporting is not required.

Liquidity and Capital Resources

The Company commenced fiscal 2024 with working capital of \$276,541 and cash of \$20,582. As at December 31, 2024, the Company had a working capital of \$161,385 and cash of \$202,594.

As of December 31, 2024, cash of \$113,956 (RMB 577,481) (December 31, 2023 - \$20,163 (RMB 107,611)) resided in Mainland China. Under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Accordingly, the remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China, or both.

Net cash used in operating activities for the current year was \$585,298 (2023 - \$220,935). The net cash used in operating activities for the year consisted primarily of the operating loss and a change in non-cash working capital items. The increased cash used in the current year was due to increased research and development expenses incurred in China, and consulting, accounting, legal expenses, and transaction costs in relation to the Company's proposed listing in Canada.

During the year ended December 31, 2024, the Company received \$764,987 (2023 - \$353,785) of proceeds from the issuance of 4,050,000 (2023 - 1,850,000) shares. The Company repaid \$17,586 (2023 - \$Nil) for office lease, and received net repayment of \$39,042 (2023 - provided net loan of \$89,710) with two employees; also, the Company provided \$54,273 (2023 - \$118,290) loan to the CEO and Director of the Company. The Company also received a loan from a third party in the amount of \$38,126 (2023 - \$Nil).

The Company will need to raise funds through debt or equity offerings in order to have sufficient working capital to sustain its operations for the next 12 months.

Related Party Transactions

i) During the year ended December 31, 2024, the Company paid or accrued a salary of \$25,163 (2023 - \$22,895) and social welfare fund contribution of \$7,435 (2023 - \$7,281) to the director and CEO of the Company. As of December 31, 2024, the Company was owed \$20,477 (December 31, 2023 - \$21,852) by the CEO.

As of December , 2024, the Company also has an interest free loan of \$178,527 (December 31, 2023 - \$116,172) due from the director and CEO. There is no written loan agreement. The loan is due on demand and has no fixed term of repayment. The continuity of loan to CEO is as follows:

	Loan to CEO
Balance as of December 31,2022	\$ -
Loan to CEO	302,787
Repayment	(184,497)
Foreign exchange effect	(2,118)
Balance as of December 31, 2023	116,172
Loan to CEO	170,406
Repayment	(116,133)
Foreign exchange effect	8,082
Balance as of December 31, 2024	\$ 178,527
Subsequent payment	\$ 178,527
Balance as of November 6, 2025	\$ -

ii) During the year ended December 31, 2024, the Company paid or accrued a salary of \$91,503 (2023 - \$91,580) and social welfare fund contribution of \$25,714 (2023 - \$23,944) for the CTO of the Company. The amount was recorded as service costs. As of December 31, 2024, the Company owed to the CTO \$57,114 (December 31, 2023 - \$31,358).

iii) During the year ended December 31, 2024, the Company paid or accrued legal fee (professional services) of \$50,320 (2023 - \$68,320) to a law firm of which a partner is a director of the Company. As of December 31, 2024, the Company owed to the law firm \$Nil (December 31, 2023 - \$4,480) which is recorded in due to related parties.

iv) During the year ended December 31, 2024, the Company accrued consulting fee (professional services) of \$Nil (2023 - \$26,145) to Bizfield Accelerator Inc. ("Bizfield"), a company controlled by the director, Lillian Jing Liu. As of December 31, 2024, the Company owed to the Bizfield \$Nil (December 31, 2023 - \$2,620) which is recorded in due to related parties.

On August 8, 2020, the Company entered into a Financing and Listing Service Agreement with Bizfield, according to which, Bizfield will providing consulting service to assist the Company going public in Canada for a total service fee of \$133,500. The service fee is payable by a) \$90,000 in shares (issued. Note 12); b) \$22,500 within 5 business days after a pre-filing meeting with TSX-V (paid); and c) \$21,000 within 5 business days after listing.

v) As of December 31, 2024, the Company had a payable of \$Nil (December 31, 2023 - \$18,737) to Beijing Hanpu Biotech Co., Ltd. ("Hanpu"), a company controlled by Yang He, the CEO and Director of the Company.

Due to and from related parties do not bear interest, are unsecured and repayable on demand.

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

Other than the transactions disclosed above, there was no other compensation paid to key management during the years ended December 31, 2024 and 2023.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Commitments

The Company has no commitments.

Financial and Capital Risk Management

As at December 31, 2024 and 2023, the Company's financial instruments comprised cash, accounts receivable, other receivables, due to/from related parties, loan to employees, loan to a related party, refundable lease deposit, accounts payable and accrued liabilities, and lease liabilities. With the exception of cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities except for long-term lease liabilities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

The levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2024 and 2023, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy. Significant unobservable inputs are used in discount cash flows method to determine the fair value of the lease liabilities. Consequently, these fair value measurements are classified within Level 3 of the fair value hierarchy. There were no transfers between Level 1, Level 2, and Level 3 of the fair value hierarchy during the years ended December 31, 2024 and 2023.

The Company's receivables, accounts payable and accrued liabilities, due to/from related parties, loan to/from employees, refundable lease deposit and related parties are measured at amortized cost. The Company's carrying values of these items approximate their fair value due to the relatively short periods to maturity of the instruments. The carrying amounts of lease liabilities approximate their fair value as they are discounted at the current market rate of interest.

The Company's financial instruments are exposed to certain financial risks, including credit risk, currency risk, liquidity risk, interest rate risk, and concentration risk.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. As of December 31, 2024 and 2023, the Company was primarily exposed to credit risk attributable to cash, trade receivable, other receivables, due from related party, loan to employees and a related party, and refundable lease deposit. The maximum credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 4 Material Accounting Policy Information – Expected Credit Loss. The Company limits exposure to credit risk attributable to cash by maintaining its cash with large financial institutions.

The Company regularly reviews the collectability of its trade receivable and other receivables and establishes an allowance account for credit losses based on its best estimate of any potentially uncollectible amounts. As December 31, 2024, the Company estimated an allowance of credit loss of 100% (December 31, 2023 - 100%) for accounts receivable outstanding from the customers that are individually assessed due to significant credit risk identified and 0.00% (December 31, 2023 – 0.14%) on remaining accounts receivable. The Company considers trade receivables outstanding for more than one year as at the reporting date to represent a significant increase in credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2024, the Company had a cash balance of \$202,594 (December 31, 2023 - \$20,582) to settle current liabilities of \$491,060 (December 31, 2023 - \$286,287). All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company needs further funding to meet its short-term and long-term cash requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risks is insignificant.

Concentration risk

For the year ended December 31, 2024, a significant portion of the Company's revenue was derived from a limited number of customers. Management monitors customer concentration as part of its assessment of operating performance and period-to-period variability in results.

Customer Concentration

For the year ended December 31, 2024	Amount	Percentage of total revenue
Customer D	\$ 1,633,124	66%
Customer B	353,316	14%
Customer C	260,770	11%
	\$ 2,247,210	91%

For the year ended December 31, 2023	Amount	Percentage of total revenue
Customer D	\$ 935,955	44%
Customer E	317,685	15%
	\$ 1,253,640	59%

During the year ended December 31, 2024, the Company's top three customers each accounted for more than 10% of total revenue and together generated revenue of RMB 11,788,199 (\$2,247,210), representing approximately 91% of total revenue for the year. By comparison, for the year ended December 31, 2023, the Company's top two customers accounted for approximately 59% of total revenue.

The increase in customer concentration in 2024 reflects the Company's project-based system development business model, under which revenue in any given period may be derived from a limited number of relatively large contracts completed during that period.

Nature of Customer Relationships

The Company operates under an independent, project-based collaboration model, pursuant to which each customer engagement is governed by a standalone contract with a defined scope of work, pricing, delivery milestones and acceptance criteria. These contracts do not include automatic renewal provisions or long-term framework arrangements.

Accordingly, revenue concentration may fluctuate from period to period depending on the timing and completion of individual projects. Customer relationships are not characterized as "recurring" or "one-time" in the traditional sense, as each contract is executed and completed independently, and revenue is recognized upon delivery and customer acceptance in accordance with the Company's revenue recognition policies.

Major Suppliers and Procurement Commitments

During the year ended December 31, 2024, purchases from two suppliers represented a significant portion of the Company's major purchases, primarily consisting of service costs, cost of goods sold and research and development expenses. The Company does not have any minimum purchase commitments, fixed-volume procurement obligations or long-term supply agreements with this or any other supplier.

All procurement activities are conducted on a project-specific and discretionary basis, aligned with the Company's internal research and development plans. The services and data procured from suppliers, primarily agricultural planting data and agricultural environmental data, are used exclusively to support the development and training of the Company's internal data models. The timing, scale and scope of procurement are determined by the requirements of individual R&D projects and may vary significantly between periods depending on factors such as the natural growth cycle of crops, regional planting conditions and the biological characteristics of different crop varieties.

Accordingly, while purchases from certain suppliers may represent a significant proportion of total purchases in a given period, the Company is not contractually required to continue incurring procurement costs with such suppliers

in the absence of corresponding R&D activities or operational requirements, and procurement levels are not directly tied to the Company's revenue levels.

Capital management

The Company defines capital as the items included in shareholders' equity. The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern, ensure sufficient capital and liquidity to complete its technology developments, establish commercial markets and pursue its growth strategy.

To support these objectives, the Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the development efforts, the Company does not pay out dividends during its development stage.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the reporting period.

Significant Accounting Policies, Critical Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Notes 3 and 4 of its audited consolidated financial statements for the years ended December 31, 2024 and 2023.

New and amended and future Accounting Standards and Interpretations

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates:

IFRS 18 – Presentation and Disclosure in Financial Statements Effective for annual periods beginning on or after 1 January 2027.

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation in Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

An entity will be required to classify all income and expenses within its statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. In addition, IFRS 18 requires an entity to present subtotals and totals for "operating profit or loss", "profit or loss before financing and income taxes" and "profit or loss".

Subsequent Events

None

Outstanding Share Data

The following table summarizes the Company's outstanding share data as of the date of this MD&A:

	Number of shares Issued or issuable
Common shares	97,730,000
Stock options	-
Warrants	-

Risks and Uncertainties

Limited Operating History

The Company was incorporated in April 2022 and does not have an operating history or any established financing sources. The Company's wholly-owned subsidiary, Beijing Zhongnong, was incorporated in May 2015.

The Company has a history of operating losses and may not achieve or sustain profitability. It cannot guarantee investors that it will become profitable, and even if it achieves profitability, given the evolving nature of the industry in which it operates, it may not be able to sustain or increase profitability and its failure to do so could adversely affect its business, including its ability to raise additional funds.

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

The Company cannot assure that it can avoid net losses in the future or that there will not be any earning or revenue declines in the future. The Company expects that its operating expenses will increase as it grows its business. If the revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

To increase its revenues, the Company must regularly add new customers, provide additional services and/or sell additional products to existing customers and encourage existing customers to increase their minimum commitment levels. There are no assurances that the Company will be able to attract new customers or retain existing customers in which case its operating results will be adversely affected.

Negative Operating Cash Flows

Since commencing its operations the Company has had negative operating cash flow and incurred losses. The Company may never achieve positive operating cash flow. To the extent the Company has negative operating cash flows in future, it may need to deploy a portion of its existing cash reserves or identify additional sources of financing to fund such negative cash flows. The Company may require additional financing in order to continue as a going concern, as well as to grow and expand its operations. It is possible that any required future financing will not be available or, if available, will not be available on favorable terms. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, respond to competitive pressures or remain in business.

Foreign Exchange Rate Risk

Because the Company's business operations are centered in China. All of the Company's revenue and expenses may be denominated in Chinese Renminbi. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results.

Further, under Chinese law, cash advanced to the Company's Chinese subsidiaries as registered share capital is maintained in the subsidiaries' registered capital bank account. Accordingly, the remittance of these funds back to Canada requires approvals by the relevant government authorities or designated banks in China, or both.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject in any jurisdiction in which it carries on business could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Staffing and Reliance on Key Management

The responsibility of successfully implementing the Company's business strategy depends substantially on its senior management and its key personnel, in particular, Yang He, the Company's CEO, and Zhongyi Li, the Company's CTO. The Company does not currently have any "key-man" insurance policy on Mr. He or Mr. Li or on any other key employee of the Company, therefore there is a risk that the death or departure of Mr. He or Mr. Li or any one or more other key employee could have a material adverse effect on the Company.

Further, the Company currently needs to acquire sales and technical staff to execute its business strategy. If the Company does not secure the appropriate funding to acquire the staff it needs, or if it is unable to attract and retain sufficiently qualified staff, its ability to successfully develop and sell its products and services could be significantly compromised.

There is also a risk to the business where there is a turnover of development staff that have knowledge of the Company's technology and business. This loss of knowledge could result in leakage or misappropriation of confidential information. While the Company aims to mitigate this risk by imposing contractual restraints on use and ownership of the Company's confidential information, there could also be increased costs for the Company in having to replace the implicit knowledge and skills of departing employees.

Corporate Governance

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval.

The Audit Committee, comprised of three directors, the majority of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.