

## PEARL RIVER HOLDINGS LIMITED

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Nine months ended September 30, 2025

#### Forward-Looking Information

This interim management discussion and analysis contains certain forward-looking statements and information relating to Pearl River Holdings Limited (“**Pearl**” or the “**Company**”). All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company’s current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the level of activity in the plastics industry and the economy generally, consumer interest in the Company’s products, and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; fluctuations in raw material costs; competition; lack of insurance; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

#### Basis of Discussion and Analysis

The following management discussion and analysis of the financial condition and results of operations of the Company and other information is dated March 3, 2026 and should be read in conjunction with the Company’s condensed interim consolidated financial statements and notes thereto as at and for the six months ended September 30, 2025. These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements including International Accounting Standard 34 – Interim Financial Reporting and have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2024.

These condensed interim consolidated financial statements include only significant events and transactions affecting the Company during the current fiscal period and do not include all disclosures normally provided in the Company’s annual financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2024. The Company’s consolidated financial statements for the year ended December 31, 2024 and related MD&A can be obtained on the System for

Electronic Document Analysis and Retrieval (“SEDAR”). Interim results are not necessarily indicative of the results expected for the fiscal year.

### **EXECUTIVE OVERVIEW**

#### **Company Profile and Summary**

Pearl River Holdings Limited (the “Company”, “Pearl”, or “Pearl River”) is incorporated under the Canada Business Corporations Act, and through its subsidiaries, which are disclosed in the table below, primarily operates in China, Cambodia and Australia. Its principal business activities are the manufacturing and distribution of plastic products to customers in China, Australia and the United States of America.

#### **Group Structure and Key Corporate Events**

The particulars of the subsidiaries, of which all are limited liability companies, as at December 31, 2024 are as follows:

Name of company	Country of incorporation and operation	% of ordinary shares held by the Company		Principal activity
		Direct	Indirect	
Pearl River Plastics Limited (“PRPL”)	BVI	100%		Investment holding
Rodman Plastics Company Limited (“RPL”)	Hong Kong	-	100%	Investment holding
Rodman Enterprises Limited (“REL”)	Hong Kong	-	100%	Trading in plastic products
Guangzhou Rodman Industrial Design Services Co. Ltd. (“GRIDS”)	PRC	-	100%	Trading in plastic products
Rodman International Limited (“RIL”)	Hong Kong	-	100%	Trading in plastic products
Guangzhou Rodman Plastics Limited (“GRPC”)	PRC	-	64%	Manufacturing of plastic products
Rodman (CDA) Limited	Canada	100%	-	Investment holding
Rodman CA (Cambodia) Ltd.	Cambodia	-	65%	Manufacturing and trading of plastic products
Glowpear Inc.	Canada	100%	-	Investment holding
Glowpear Pty Ltd.	Australia	-	100%	Manufacturing and trading of plastic products

## OPERATING SEGMENTS

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the period is derived only from the manufacturing and sale of plastic products.

In presenting information on the basis of geographical locations, revenue is based on the geographical location of customers. Assets and capital expenditures are based on the geographical location of the assets.

The following tables present the Group's geographical locations of its revenues and assets:

<u>Revenue from external customers</u>		
The PRC	132,749,890	99,819,936
Australia	13,115,290	53,089,522
Cambodia	9,054,356	-
USA	115,294,087	79,902,271
	<u>270,213,623</u>	<u>232,811,729</u>
<u>Segment assets</u>		
The PRC	96,703,335	84,370,431
Australia	823,662	23,454,987
USA	41,990,990	16,336,560
Hong Kong	114,302,503	72,220,317
Cambodia	19,848,741	15,075,301
Canada	4,295,971	15,573,555
	<u>277,965,202</u>	<u>211,955,850</u>

## FINANCIAL HIGHLIGHTS

	2025 (RMB) September	2024 (RMB) September
Sales	270,213,623	232,811,729
Cost of goods sold	215,012,072	180,037,764
Gross profit	55,201,551	52,773,965
Gross profit percentage	20.43%	22.67%
Expenses	52,840,565	45,875,328
Profit / (loss) before other items	2,360,986	6,898,637
Other Items	(363,288)	-
Profit / (loss) before taxation	1,997,698	6,898,637
Profit / (loss) percentage	0.74%	2.96%
Depreciation for property, plant, equipment	4,338,297	682,551
Depreciation for right-of-use assets	3,871,479	4,046,521
Amortization for intangible asset	-	-
Interest cost	746,839	816,168
EBITDA	10,954,313	12,443,877
EBITDA as a % of Sales	4.05%	5.35%
Profit / (loss) for the year	789,729	5,759,740
Basic and diluted earnings (loss) per share	0.0694	0.01846
Weighted Average number of Outstanding Shares (basic)	27,309,927	27,309,927
Total assets	277,965,202	212,150,159
Total liabilities	153,093,954	74,778,533
Non-current liabilities	64,474,055	63,490,983

- Revenues increased by 16.07% for the third quarter compared to 2024. The operating margins have increased by 4.60% for the quarter compared to 2024.
- Debt to equity 1.23:1 (September 30, 2025), .94:1 (December 31, 2024), .69:1 (December 31, 2023)

## **Outlook**

### Cooler Factory:

#### China Sales:

The company continues to focus on China domestic sales as it is a market we can control. The sales organizational structure and team members have been reviewed and changed to provide focused effort in market segments. The key product segments have resulted in significant large key accounts brought into the custom molding segment of the business. The e-commerce segment of B2B and B2C sales continue to gain traction.

#### Export Sales:

The company continues to diversify distribution channels in other countries. The company has also increased tradeshows in Europe, Japan, and the USA to help support these initiatives.

### Main Factory:

We have continued our focus toward developing new products in consistently growing market sectors, to compensate for some of the declining traditional products.

### Cambodia Factory

During the third quarter the new factory began to ramp up to increase production. In the ramp up, additional expenses were incurred without substantial revenue.

Additional costs of Cambodia are as follows:

General and Administrative	\$1,475,000
Finance Cost	565,000
Amortization Right of Use	520,000
Amortization	<u>560,000</u>
Total:	\$ 2,148,000

Additionally, two customers in Cambodia which were transferred from China operations delayed shipping orders till they approved the factory Quality Control.

## RESULTS OF OPERATIONS

### *Sales*

	2025		2024	
	Quarter (RMB)	Year to date (RMB)	Quarter (RMB)	Year to date (RMB)
	<u>78,397,559</u>	<u>270,213,623</u>	<u>81,815,971</u>	<u>232,811,729</u>

Revenues have increased by 37,401,894 RMB or 16.07% for the second quarter compared to 2024.

### *Gross Profit*

	Quarter		Year to date	
	2025	2024	2025	2024
Gross Profit	15,487,708	18,610,516	55,201,551	52,773,695
% of Total Sales	19.76	22.75	20.43	22.67

### *General Administration*

General administrative expenses increased to 32,234,190 RMB from 29,506,657 RMB, 9.24% compared to 2024.

### *Selling*

Selling expenses decreased to 9,547,558 RMB from 10,420,361 RMB, -8.38% compared to 2024.

### *Financing*

Finance expenses increased to 2,102,202 RMB from 403,070 RMB compared to 2024.

### *Interest on Debt*

Interest has decreased to RMB 746,839 from RMB 816,168 for 2024.

### *Income Tax Expense*

Income tax is incurred at the Chinese joint venture level at a rate of 25% of taxable earnings. The expenses incurred outside China are not deductible and as such the tax expense is higher as a percentage of consolidated profits due to this non-deductibility.

### *New Factory*

The Company began setting up of a new manufacturing facility in Cambodia. The Company anticipates capital assets of this project to be approximately RMB 20,000,000. The facility began limited production in June of 2025 and in full production as of October 2025.

### Selected Quarterly Consolidated Financial Information

	Unaudited Quarters Ended			
	September 30, 2025 (RMB)	June 30, 2025 (RMB)	March 31, 2025 (RMB)	December 30, 2024 (RMB)
Revenue	78,397,559	111,706,750	80,109,314	84,164,916
Net income (loss) attributable to common shareholders	(755,231)	1,149,391	1,237,527	3,148,240
Net income (loss) attributable to common shareholders per Share	(0.0277)	0.0421	0.0453	0.1152

	Unaudited Quarters Ended			
	September 30, 2024 (RMB)	June 30, 2024 (RMB)	March 31, 2024 (RMB)	December 30, 2023 (RMB)
Revenue	81,815,971	84,832,696	66,163,062	60,344,786
Net income attributable to common shareholders	3,046,230	1,088,839	905,553	(1,500,689)
Net income attributable to common shareholders per Share	0.1115	0.0399	0.0332	(0.0549)

The Corporation's primary capital management objective is to maintain a strong statement of financial position through the optimization of the debt and equity balance affording the Corporation financial flexibility to achieve goals of continued growth and access to capital. The capital structure of the Company consists of shareholders' equity comprised of share capital and deficit.

The basis for the Corporation's capital structure is dependent on the Corporation's expected business growth and changes in the business environment. The Corporation manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objective stated above. To manage the capital structure, The Corporation may adjust capital spending, issue new shares, issue new debt, or repay existing debt.

The Corporation is not exposed to externally imposed capital requirements.

**Cash Flow:**

	<b>June 30, 2025 (RMB)</b>	<b>June 30, 2025 (RMB)</b>
Cash provided by operating activities	(6,930,916)	(9,993,251)
Cash used in investing activities	(8,646,235)	(11,707,856)
Cash provided by (used in) financing activities	22,340,256	4,591,007

**Contractual obligations, Commitments and Guarantees**a) **Commitments**

The Company is committed to payments under operating leases for premises and equipment as follows:

	<b>(RMB)</b>
Current liabilities	88,619,899
Non-current liabilities	64,474,055

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Share Capital**

a) **Authorized**  
Unlimited number of voting, common shares and non-voting, preferred shares.

b) **Issued**

	<b>September 30, 2025</b>		<b>September 30, 2024</b>	
	<b>Common Shares (#)</b>	<b>Amount (RMB)</b>	<b>Common Shares (#)</b>	<b>Amount (RMB)</b>
Balance – Beginning and end of period	27,309,927	52,242,949	27,309,927	52,242,949

c) **Stock option plan**

Under the Corporation's stock option plan, the aggregate number of common shares that may be reserved for issuance pursuant to options shall not exceed 10% of the outstanding common shares at the time of the granting of an option, less the aggregate number of common shares then reserved for issuance pursuant to any other share compensation arrangement. The exercise price per common share for option granted shall not be less than the market price. Every option shall have a term not exceeding and shall expire no later than ten years after the date of grant. The options granted under this plan may not be assigned or transferred. The Board of Directors shall determine the manner in which an option shall vest and become exercisable.

On December 17, 2024, 1,000,000 ten-year stock options were granted to directors and officer. The stock options vested immediately and have an exercise price of RMB 1.19 (CAD: \$0.23). The stock options were valued using the Black Scholes Model with a volatility of 131.59%, discount rate of 3.14% and 0% annual rate of dividends. Share based compensation of RMB 656,438 (2023: nil) has been recognized for the 2024 fiscal year.

As at December 31, 2024, there are 2,500,000 (2023: 2,820,000) stock options outstanding and exercisable at a weighted average price of RMB 1.19 (CAD: \$0.23) per share and have a weighted average life remaining of 7 years. During fiscal 2024, no (2023: 500,000) stock options were forfeited and 1,320,000 (2023: Nil) stock options expired unexercised.

As at December 31, 2023, there are 2,820,000 (2022: 3,320,000) stock options outstanding and exercisable at a weighted average price of RMB 1.35 (CAD: \$0.26) per share and have a weighted average life remaining of 5 years. During fiscal 2023, 500,000 (2022: nil) stock options were forfeited and no (2022: 1,730,000) stock options expired unexercised.

#### **Transactions with Related Parties**

Details of transactions between the Pearl River group of companies and related parties are disclosed below:

- a) During the period the Company had the following other transactions included in general and administrative expenses with related parties:

Administrative fees incurred with a company controlled by a director of the Company were incurred in the amount of 341,744RMB during the period. Of this amount 44,310RMB is included in accounts payable and accrued liabilities at March 31, 2025.

- b) The remuneration paid of directors and other members of key management during the period was as follows:

	<u>2025</u> (RMB)	<u>2024</u> (RMB)
Management salary and benefits	2,110,831	2,006,250

These transactions have been recorded in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under the similar terms and conditions as those with non-related parties.

#### **CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily

apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that periods, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgments apart from those involving estimation as discussed below, which have the most significant effect on the amounts recognized in the financial statements.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or de-recognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

#### Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the Corporation's and the Group's assets and liabilities within the next financial year are discussed below.

#### Provision against slow-moving inventories

Provision for slow-moving inventories is made based on the ageing and estimated net realizable value of inventories. The assessment of the provision required involves management judgment and estimates. Where the actual outcome or future expectation is different from the original estimate, such differences will impact the carrying value of inventories and provision charged or reversed in the period in which the estimate has been changed.

#### Estimating the incremental borrowing rate — the Group as lessee

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") of the relevant lessee to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs such as market interest rates when available.

#### To determine the IBR, the Group: -

Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and - Makes adjustments specific to the lease, e.g. term, country, currency and security.

#### Impairment of accounts receivables

The provision rate of accounts receivables is made based on assessment of their recoverability and ageing analysis of accounts receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At the end of reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast of economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

#### **Income tax and deferred tax**

Certain entities within the Group are subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during ordinary course of businesses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when the management determines it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in period in which such estimates are changed.

#### **Fair value measurement of purchase consideration payable**

The fair value measurement of purchase consideration payable utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurement is categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (ie. Not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period that they occur.

#### **New Accounting standards and amendments**

The Corporation adopted the following new accounting standards which did not have a material impact on these financial statements:

Amendment to IAS 21

Lack of Exchangeability<sup>1</sup>

The adoption of this standard did not have any material impact on the Group's accounting policies.

#### **Financial Instruments and Other Instruments**

##### **Capital and financial risk management**

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. There have been no changes in management's process of managing capital nor in management's definition of what constitutes capital.

The capital structure of the Group consists of equity attributable to common shareholders of the Corporation.

#### **a) Credit risk**

The Group's credit risk is primarily attributable to cash, and accounts and other receivables.

The carrying amounts of cash, short term investments, accounts receivable, and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

For accounts and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from state-owned enterprises or major customers with good repayment history. There has been no material credit defaults in the past.

##### Accounts receivables

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates no significantly different loss patterns by customer segments, the grouping for accounts receivable for the assessment of ECLs is by past due days.

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Expected credit losses for accounts receivable and other receivables are detailed in the respective notes to these consolidated financial statements. At the end of the reporting period, the Group has a concentration of credit risk of 26% (2023: 41%) of accounts receivable which was due from one customer (2023 : one customer).

#### **b) Interest rate risk**

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively.

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

#### **c) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

#### **d) Currency risk**

The Group is exposed to currency risk primarily through transactions that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollar (USD) and Australian Dollar (AUD). Most subsidiaries operate in Hong Kong and the People's Republic of China (PRC), with operating assets and transactions mainly denominated and settled in HKD and RMB, the functional currencies of these entities. A newly incorporated subsidiary in Cambodia has USD as its functional currency, while another subsidiary in Australia used AUD.

RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

The Group is exposed to currency risk primarily through transactions that are denominated in a currencies other than the functional currency of the entities to which they relate. The primary operations of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi, which is the functional currency of the majority of the Group's subsidiaries. The entity does not have significant financial assets and liabilities or transactions denominated in currencies that are not the functional currency of the entities in which they relate. As a result, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

#### **e) Price risk**

The Group is not exposed to any equity securities risk or commodity price risk.

#### **Subsequent Events After the Reporting Period**

In 2025, changes in U.S. government policy, including increased tariffs on imports from the People's Republic of China (PRC), pose significant risks and uncertainties for the Company. These tariff actions have materially increased the cost of goods exported to the United States, impacting production costs, supply chain dynamics, and customer pricing. The Company faces potential challenges such as elevated input costs, disruptions in supply chain availability, and reduced demand due to higher prices passed on to U.S. customers. These factors may adversely affect the Company's profit margins and market competitiveness. Management actively monitors tariff developments and their potential impact on operating results and financial position, incorporating these risks into forward-looking estimates and disclosures in the annual financial statements.