

Form 51-102F1
Annual Management Discussion and
Analysis
Pearl River Holdings Limited
For the year ended December 31, 2024

Date – November 25, 2025

The following Management Discussion and Analysis (“MD&A”) should be read in conjunction with Pearl River Holdings Limited’s Consolidated Financial Statements for the fiscal years ended December 31, 2024 and 2023 (the “Consolidated Financial Statements”). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are available on SEDAR at www.sedar.com.

This MD&A relates to the consolidated financial condition and results of operations of Pearl River Holdings Limited (“Pearl”, “Pearl River”, the “Group” or the “Company”) together with Pearl’s subsidiaries in the People’s Republic of China (“China”) and other jurisdictions. As used herein, the word “Company” means, as the context requires Pearl and its subsidiaries. The common shares of Pearl are listed on the TSX Venture Exchange (the “Exchange”) under the symbol PRH. All information in this MD&A is presented in Chinese Renminbi (Yuan), unless otherwise indicated.

This MD&A is dated November 25, 2025 and is current to this date. The MD&A and the Consolidated Financial Statements were authorized for issuance by the Board of Directors on November 25, 2025.

Forward-Looking Statements

This annual management discussion and analysis (“**Annual MD&A**”) 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, changing foreign exchange rates and actions by government authorities, 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 labor 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.

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:

<i>Name of company</i>	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

Prior Year Adjustments

During 2024, management has completed a reassessment of the adequacy of revenue recognition and identified certain errors in the recognition and presentation of 2023 sales. Management concluded that these misstatements are material and have therefore restated the Group's consolidated financial statements to correct these errors. A detailed description of the nature of prior year adjustments are set out as below.

(i) Sales cut-off

Previously, all sales of plastic products were recognized at a point in time when the control of the goods were transferred to the customers, which is in accordance with the FOB Shipping point. In 2024, management revisited certain sales contracts and identified that, for some customers, the contractual terms require control to transfer upon delivery to the customer's location (FOB Destination) rather than at the shipping point. Accordingly, sales in respect of certain shipments dispatched before December 31, 2023 but delivered after that date should not have been recognized in the year ended December 31, 2023.

The restatement has been accounted for retrospectively, with the cumulative effect of the correction of the error adjusted to the opening balances as at January 1, 2023. Accordingly, the balances of sales, cost of goods sold, accounts receivable, inventories and opening retained earnings for the year ended December 31, 2023 has been restated to reflect the recognition of sales based on FOB destination date for the affected contracts.

(ii) Classification

The consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2023 has been restated to correct classification errors arising from intra-group eliminations and misallocation of expenses by function. Cost of goods sold was overstated, with corresponding understatements in other expenses lines.

The effect of the prior year adjustments in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2023 is set out below:

	Year ended December 31, 2023 (previously reported)	Sales cut-off (i)	Classification (ii)	Year ended December 31, 2023 (restated)
	RMB	RMB	RMB	RMB
Sales	243,013,744	(1,893,131)	-	241,120,613
Cost of goods sold	(187,735,426)	1,688,237	8,844,524	(177,202,665)
Gross Profit	55,278,318	(204,894)	8,844,524	63,917,948
Expenses				
General and administrative	(44,935,828)	-	(3,211,147)	(48,146,975)
Selling	(16,730,080)	-	(522,886)	(17,252,966)
Loss before other items	(8,935,885)	(204,894)	5,110,491	(4,030,288)
Other items				
Net exchange gain/(loss)	4,286,335	-	(5,085,991)	(799,656)
Other income and expense	2,324,630	-	(24,500)	2,300,130
Loss before taxation	(2,324,920)	(204,894)	-	(2,529,814)
Loss for the year	(3,735,130)	(204,894)	-	(3,940,024)
Loss attributable to:				
Owners of the Company	(3,853,961)	(204,894)	-	(4,058,855)
Loss per share to Owners of the Company:				
Basic	(0.1411)	(0.0075)	-	(0.1486)
Diluted	(0.1411)	(0.0075)	-	(0.1486)
Total comprehensive loss for the year	(5,387,341)	(204,894)	-	(5,592,235)
Total comprehensive loss attributable to:				
Owners of the Company	(5,506,172)	(204,894)	-	(5,711,066)

The effect of the prior year adjustment in the respective line items of the consolidated statement of financial positions (extracted) of the Group as at December 31, 2023 is as follows:

	As at December 31, 2023 (previously reported)	Sales cut-off (i)	As at December 31, 2023 (restated)
	RMB	RMB	RMB
Accounts receivable	43,360,922	(3,191,592)	40,169,330
Inventories	33,110,800	2,719,864	35,830,664
Total current assets	158,912,475	(471,728)	158,440,747
TOTAL ASSETS	202,225,526	(471,728)	201,753,798
Retained earnings	23,660,692	(471,728)	23,188,964
Total equity attributable to Owners of the Company	88,525,465	(471,728)	88,053,737
Total equity	119,970,040	(471,728)	119,498,312
TOTAL LIABILITIES AND EQUITY	202,225,526	(471,728)	201,753,798

OVERALL FINANCIAL PERFORMANCE

Overall, the revenues increased by approximately 31.46% or RMB 75,856,032 (2023: decreased by -18.97% or RMB 56,435,043). The increase was a result of large orders that came into the Company as a result of setting up warehousing operations and export markets beginning to order inventory after leveling out from Covid overstock, new customers and products.

The cost of goods sold for this year as a percentage of sales was 73.73% which has increased slightly by approximately 0.24% from 73.49% in 2023. The gross profit has increased by RMB 19,347,814 (2023: decreased by RMB 12,628,844). The slight rise in cost of goods sold as a percentage of sales is due to rising input costs including raw materials.

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:

	2024 RMB	2023 RMB (Restated)
<u>Revenue from external customers</u>	135,440,188	117,953,250
The PRC	50,417,631	50,623,886
Australia	96,874,245	54,679,001
USA	34,244,581	17,864,476
Other	316,976,645	241,120,613
<u>Non-current assets</u>		
The PRC	77,547,367	42,694,251
Australia	146,635	-
Cambodia	22,139,636	-
Hong Kong	367,326	618,800
	100,200,964	43,313,051

Outlook for 2025

The tariffs that are in discussion and being put in place between the United States and China are going to put pressure on sales and the outcome will be effected depending on what is put into place. The Cambodian operations are beginning in the 2025 year, and the hope is that this will help with export sales into the United States market to minimize the effect of the tariff war.

SELECTED ANNUAL INFORMATION

	2024 (RMB)	2023 (RMB) (Restated)	2022 (RMB)
Sales	316,976,645	241,120,613	297,555,656
Cost of goods sold	233,710,883	177,202,665	221,008,864
Gross profit	83,265,762	63,917,948	76,546,792
Gross profit percentage	26.27%	26.51%	25.73%
Expenses	76,039,999	67,948,236	77,245,022
Profit / (loss) before other items	7,225,763	(4,030,288)	(698,230)
Other Items	3,181,591	1,500,474	4,741,763
Profit / (loss) before taxation	10,407,354	(2,529,814)	4,043,533
Profit / (loss) percentage	3.28%	-1.05%	1.36%
Depreciation for property, plant, equipment	5,372,775	6,042,666	6,000,833
Depreciation for right-of-use assets	5,734,608	7,255,388	7,138,245
Amortization for intangible asset	394,421	276,797	-
Finance cost	3,891,570	2,548,295	2,815,005
EBITDA	25,800,728	13,593,332	19,997,616
EBITDA as a % of Sales	8.14%	5.64%	6.72%
Profit / (loss) for the year	8,199,725	(3,940,024)	2,902,701
Basic and diluted earnings (loss) per share	0.2998	(0.1486)	0.0386
Weighted Average number of Outstanding Shares (basic)	27,309,927	27,309,927	27,309,927
Total assets	258,590,382	201,753,798	216,434,699
Total non-current financial liabilities	63,490,983	24,502,115	43,351,091
Distributions or cash dividends per share	Nil	Nil	Nil

Reconciliation of EBITDA to Profit / (Loss) for the year:

	2024	2023
	(RMB)	(RMB)
		(Restated)
Profit / (loss) for the year	8,199,725	(3,940,024)
Finance cost	3,891,570	2,548,295
Income tax expense	2,207,629	1,410,210
Depreciation and amortization	<u>11,501,804</u>	<u>13,574,851</u>
EBITDA	<u>25,800,728</u>	<u>13,593,332</u>

Non-IFRS Measures

Earnings before interest, taxes, depreciation, and amortization, ("EBITDA") and EBITDA as a percentage of sales, are not generally accepted measures of financial performance under IFRS. Management utilizes these financial performance measures to assess profitability and return on equity in its decision making. In addition, the Company and its lenders and investors use EBITDA to measure performance and value for various purposes. Investors are cautioned, however, that EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating these financial performance measures may differ from other companies and, accordingly, they may not be comparable to measures used by other companies.

FISCAL 2024 RESULTS OF OPERATIONS**Year Ended December 31, 2024 as compared to the Year Ended December 31, 2023****Sales**

Sales for the year ended December 31, 2024 increased 31.46% or RMB 75,856,032. In 2024 sales are RMB 316,976,645, while in 2023 sales were RMB 241,120,613. The increase was due to export markets beginning to order inventory after leveling out from Covid overstock, new customers and products and larger orders for setting up warehousing operations.

Sales in People's Republic of China segment for the year ended December 31, 2024 increased by 14.83% or RMB 17,486,938. In 2024 sales are RMB 135,440,188, while in 2023 sales were RMB 117,953,250. The increase was due to new subcontracting customer.

Sales in Australia segment for the year ended December 31, 2024 decreased by 0.41% or RMB 206,255. In 2024 sales are RMB 50,417,631, while in 2023 sales were RMB 50,623,886.

Sales in USA segment for the year ended December 31, 2024 increased by 77.17% or RMB 42,195,244. In 2024 sales are RMB 96,874,245, while in 2023 sales were RMB 54,679,001. The increase was due to existing customers ordering additional volume of their existing products.

Sales in Other segment for the year ended December 31, 2024 increased by 91.69% or RMB 16,380,105. In 2024 sales are RMB 34,244,581, while in 2023 sales were RMB 17,864,476. The increase in sales was due to new customers in South America.

Gross profit

Gross profit during the fiscal year increased by RMB 19,347,814. In 2024 gross profit is RMB 83,265,762 up from RMB 63,917,948 in the prior year. Gross profit as a percentage of sales of 26.27% decreased during the year with the gross profit as a percentage of sales in the prior year being 26.51%.

General and administrative

General and administrative expenses are mainly comprised of salaries and wages (39.98%), and research and development (16.56%). Expenses have increased by 7.91%, or RMB 3,807,620 the increase was due to volume increase in production.

Selling

Selling expenses are mainly comprised of freight (31.78%) and direct sales and delivery team wages (16.59%) and export declaration expenses (17.16%). Expenses have increased by 17.05%, or by RMB 2,940,868. Selling costs as a % of sales has decreased from 7.16% in 2023 to 6.37% in 2024. The slight decrease is mainly due to sales volume increase which allowed for overhead costs to be distributed across a greater scale.

Finance cost

Finance costs are comprised of interest on bank borrowings and interest on lease liabilities, which have increased by RMB 1,343,275, in 2024 the finance cost is RMB 3,891,570 from RMB 2,548,295 incurred in the prior year. The expense increased mainly due to the new factory lease which had a lease interest increase.

Income tax expense

Taxation mainly represents the PRC income tax of GRPC and SBC provided for the year and the withholding tax of dividend received from GRPC by REL. The decrease was due to higher tax-free allowance from the PRC government granted to the PRC operations of the Group.

Profit / (loss) for the year and earnings per share

Profit / (loss) for the year in 2024 was RMB 8,199,725 or 2.59% of sales compared to the prior year's net loss of RMB 3,940,024 or (1.63%). Earnings per share was RMB 0.2998 in fiscal 2024 versus loss of RMB 0.1486 per share in fiscal 2023.

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 FINANCIAL INFORMATION

	Quarters Ended 2024			
	December 31	September 30	June 30	March 31
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(RMB)	(RMB)	(RMB)	(RMB)
Sales	84,164,916	81,815,971	84,832,696	66,163,062
Profit / (loss) attributable to Owners of the Company	3,148,240	3,046,230	1,088,839	905,553
Earnings (loss) per share	0.1152	0.1115	0.0399	0.0332

	Quarters Ended 2023			
	December 31	September 30	June 30	March 31
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(RMB)	(RMB)	(RMB)	(RMB)
Sales	60,344,786	66,504,795	58,704,499	55,566,533
Profit / (loss) attributable to Owners of the Company	(1,500,689)	(721,698)	718,593	(2,555,061)
Earnings (loss) per share	(0.0549)	(0.0264)	0.0263	(0.0936)

The sales by quarter remained relatively consistent. The sales trend in 2024 and 2023 increased due to new subcontracting customers.

Liquidity and Capital Resources

We monitor liquidity on our total holdings in cash and cash equivalents as well as our working capital ratio, which were as follows:

	2024 (RMB)	2023 (RMB) (restated)
Cash and cash equivalents	53,193,406	71,856,351
Working capital:		
Current assets	158,389,418	158,440,747
Current liabilities	62,001,936	57,753,371
	96,387,482	100,687,376
Working capital ratio	2.55	2.74
Total liabilities	125,492,919	82,255,486
Total equity	133,097,463	119,498,312
Debt-to-equity ratio	0.94	0.69

Liquidity and Capital Resources - continued

Total liquid assets at December 31, 2024 are down in comparison to December 31, 2023 due to working capital cash being used towards the investment in the new manufacturing factory in Cambodia. Overall working capital has decreased compared to prior year. Debt-to-equity ratio at December 31, 2024 has increased compare to previous year ratio at December 31, 2023.

The Company's primary capital management objective is to maintain a strong balance sheet through the optimization of the debt and equity balance affording the Company 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 Company's capital structure is dependent on the company's expected business growth and changes in the business environment. The Company 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 Company may adjust capital spending, issue new shares, issue new debt, or repay existing debt.

The Company is not exposed to externally imposed capital requirements.

Cash Flow: Year ended December 31,	2024 (RMB)	2023 (RMB)
Cash flows (used in) from operating activities	(210,713)	4,513,228
Cash flows (used in) from investing activities	(19,065,213)	3,904,373
Cash flows from (used in) financing activities	146,698	(15,097,779)

The Group's operating cash flows before changes in working capital increased to RMB 23,714,799 from RMB 10,949,118 in the prior year. When adding changes in non-cash working balances, such as the netting of accounts receivable, inventories, accounts payable and other items, this results in a net cash outflow from operations of RMB 210,713 when compared to a net cash inflow of RMB 4,573,228 in 2023. When investing and financing activities are factored in, the net cash outflow increased from RMB 6,680,176 to RMB 19,129,228 in the current year.

Capital Spending

Overall capital spending for the years ended December 31, 2024 and 2023 is summarized below:

	2024 (RMB)	2023 (RMB)
Capital Expenditures	<u>19,862,390</u>	<u>4,080,004</u>

Long Term Liabilities

The long-term liabilities at December 31, 2024 were RMB 63,490,983, an increase of RMB 38,988,868 from RMB 24,502,115 at December 31, 2023.

Management believes that Pearl's anticipated cash flow from operations and cash resources is sufficient to meet its working capital, capital spending and debt service requirements for fiscal 2025. It is anticipated that the manufacturing facility in Cambodia will begin contributing to cashflow in October 2025.

Liquidity and Capital Resources - continued

Capital Structure

Summary of securities as at December 31, 2024 and December 31, 2023:

a) Authorized:

Unlimited number of common shares without nominal or par value
Unlimited number of first preferred shares, issuable in series
Unlimited number of second preferred shares, issuable in series

b) Issued:

	2024		2023	
	Number of common shares	Amount (RMB)	Number of common shares	Amount (RMB)
Balance, beginning and end of year	<u>27,309,927</u>	<u>52,242,949</u>	<u>27,309,927</u>	<u>52,242,949</u>

c) Stock option plan:

Under the Company'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.

As at 31 December 2024, there are 2,500,000 (2023 – 2,820,000) stock options outstanding and exercisable at a weighted average price of RMB1.19 (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 31 December 2023, there are 2,820,000 (2022 – 3,320,000) stock options outstanding and exercisable at a weighted average price of RMB1.35 (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.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

- a. During the year in the ordinary course of business, the Group had the following material transactions with Guangzhou Plastics Industrial Joint Stock Company Limited, the non-controlling interest of GPRC:

	2024 (RMB)	2023 (RMB)
Purchase of raw materials	18,953,391	11,537,010
Royalty expenses	387,623	429,826
Sale of finished goods	(84,740)	(167,727)

- b. During the year in the ordinary course of business, the Group had the following material transactions with TopSky LLC, the non-controlling interest of Rodman CA (Cambodia):

	2024 RMB	2023 RMB
Long-term loan (unsecured, principal of US\$700K bearing interest at 0.083%/month, repayable on December 31, 2025)	5,083,148	-

- c. During the year, the Company had the following other transactions included in general and administrative expenses with related parties:

	2024 (RMB)	2023 (RMB)
Administrative fees incurred with an entity controlled by a director of the group	378,660	170,360

- d. Included in accounts payable and accrued liabilities in respect to administrative fees incurred is RMB 280,066 at 31 December 2024 (2023 – RMB 410,720).

The remuneration of directors and other members of key management during the year was as follows:

	2024 RMB	2023 RMB
Salaries, benefits and director fees	1,423,641	1,773,122
Share based compensation	656,437	-

PROPOSED TRANSACTIONS

The Company has no proposed transactions at December 31, 2024.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are 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 Company'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.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

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. The information about the ECLs on the Group's accounts receivables is disclosed in Note 24.

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. Details about the fair value measurement of variable purchase consideration payable is set out in Note 26.

NEW ACCOUNTING STANDARDS AND AMENDMENTS

(a) Adoption of amended IFRS accounting standards (IFRS) as issued by the International Accounting Standards Board – effective 1 January 2024

Amendments to IFRS 16	Lease Liability in Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendment to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

Except as described above, the application of the new or amended IFRS's in the current period has had no material impact on the Group's financial performance and condition for the current and prior year or on the disclosures set out in these consolidated financial statements.

(b) Adoption of amended IFRS accounting standards (IFRS) as issued by the International Accounting Standards Board but not yet effective

The following amended IFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – Dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
Amendment to IAS 21	Lack of Exchangeability ¹
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiaries without Public Accountability: Disclosures ³

¹ Effective for annual periods beginning on or after January 1, 2025

² Effective for annual periods beginning on or after January 1, 2026

³ Effective for annual periods beginning on or after January 1, 2027

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

NEW ACCOUNTING STANDARDS AND AMENDMENTS - continued

IFRS 18 introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss, provide disclosures on management-defined performance measures in the notes to the consolidated financial statements, and improve aggregation and disaggregation. The application of IFRS 18, and amendments to other standards, is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

Other than the above, the directors of Pearl River anticipate that the application of the other amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

CAPITAL 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 Company.

FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

Credit risk

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

The carrying amounts of cash and cash equivalents, 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 receivable

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.

FINANCIAL RISK MANAGEMENT - continued

December 31, 2024

By past due days	Weighted average ECLs rate (%)	Gross carrying amount (RMB)	Loss allowance (RMB)	Total (RMB)	Credit impaired
Collective assessment					
Not past due	0.43%	45,905,796	(197,804)	45,707,992	No
1-30 days past due	5.09%	4,445,859	(226,436)	4,219,423	No
31-60 days past due	16.95%	1,677,164	(284,308)	1,392,856	No
61-90 days past due	46.12%	695,021	(320,545)	374,476	No
91-120 days past due	80.07%	475,454	(380,706)	94,748	No
Over 120 days past due	100.00%	<u>1,243,003</u>	<u>(1,243,003)</u>	<u>-</u>	Yes
		<u>54,442,297</u>	<u>(2,652,802)</u>	<u>51,789,495</u>	

December 31, 2023

By past due days	Weighted average ECLs rate (%)	Gross carrying amount (RMB)	Loss allowance (RMB)	Total (RMB)	Credit impaired
		(Restated – note 3c)		(Restated – note 3c)	
Collective assessment					
Not past due	0.62%	33,888,723	(209,912)	33,678,811	No
1-30 days past due	3.99%	5,373,284	(214,641)	5,158,643	No
31-60 days past due	15.97%	1,433,443	(228,875)	1,204,568	No
61-90 days past due	76.96%	552,470	(425,162)	127,308	No
91-120 days past due	100.00%	873,555	(873,555)	-	No
Over 120 days past due	100.00%	<u>1,450,797</u>	<u>(1,450,797)</u>	<u>-</u>	Yes
		<u>43,572,272</u>	<u>(3,402,942)</u>	<u>40,169,330</u>	

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 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).

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.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows including interest payments computed using contractual rates and the earliest date the Group is required to settle the obligations.

All values are in RMB.

	Carrying amount	Total contractual		Over 1 year			Over 5 years
		undiscounted cash flows	On demand	Within 1 year	but within 2 years	More than 2 years	
<u>2024</u>							
Accounts payables and accruals	36,329,715	36,329,715	36,329,715	-	-	-	-
Bank borrowings	18,600,000	19,180,233	-	11,102,936	8,077,297	-	-
Amount due to a related party	5,083,148	5,147,418	-	5,147,418	-	-	-
Lease liabilities	49,234,683	81,613,725	-	8,750,955	6,280,485	13,545,040	53,037,245
Financial liability at FVTPL	1,247,499	1,663,735	-	1,663,735	-	-	-
Deferred liabilities	2,339,964	2,339,964	2,339,964	-	-	-	-
	112,835,009	146,274,790	38,669,679	26,665,044	14,357,782	13,545,040	53,037,245

	Carrying amount	Total contractual		Over 1 year			More than 2 years
		undiscounted cash flows	On demand	Within 1 year	but within 2 years	More than 2 years	
<u>2023</u>							
Accounts payables and accruals	34,412,032	34,412,032	34,412,032	-	-	-	-
Bank borrowings	20,000,000	20,950,069	-	10,385,833	325,000	10,239,236	-
Lease liabilities	16,857,209	18,554,523	-	9,133,627	9,318,987	101,909	-
Deferred liabilities	2,599,930	2,599,930	2,599,930	-	-	-	-
Financial liability at FVTPL	3,328,431	3,521,052	-	1,732,267	1,788,785	-	-
	77,197,602	80,037,606	37,011,962	21,251,727	11,432,772	10,341,145	-

Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings, lease liabilities and borrowings from a related party. 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 interest rates and terms of repayment of the Group's borrowings are disclosed in note 16 and 22. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of reporting period. The analysis is prepared assuming the amount of bank borrowings and borrowings from a related party was the amount outstanding for the whole year.

FINANCIAL RISK MANAGEMENT - continued

If interest rate had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2024 would increase/decrease by RMB 69,750 (2023: increase/decrease by RMB 75,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

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 carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date mainly includes:

	Assets		Liabilities	
	2024 RMB	2023 RMB	2024 RMB	2023 RMB
USD	41,545,365	34,294,555	344,850	-
HKD	24	-	1,247,499	3,328,431
VND	623	-	-	-
CAD	26,542	-	-	-

The Group is mainly exposed to fluctuations in exchange rates of RMB, USD, CAD and AUD against USD, HKD, VND and CAD. The following details the Group's sensitivity to a 5% (2023: 5%) increase in the functional currencies of subsidiaries against the relevant foreign currencies which represents management's assessment of the reasonably change in foreign exchange rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2023. The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities; exposure to

currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

	Impact	
	2024	2023
	RMB	RMB
USD	2,075,520	1,714,728
HKD	(62,368)	166,422
VND	6	-
CAD	287	-

Other than the above, the Group does not have significant exposure to risk resulting from changes in foreign currency exchanges rates.

Price risk

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

FINANCIAL RISK MANAGEMENT - continued

Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2024 and 2023.

SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognized at December 31, 2024 and 2023 are categorized as follows:

	2024	2023
	(RMB)	(RMB)
		(Restated)
<u>Financial assets</u>		
Financial assets measured at amortized cost (including cash and cash equivalents)	107,483,848	116,202,933
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost	103,852,064	70,898,565
Financial liabilities at PVTPL	1,247,499	3,328,431

ACQUISITION OF A SUBSIDIARY

On April 3, 2024, the Group entered into the Share Purchase Agreement with the shareholders of GLOWPEAR PTY LTD. ("Glowpear") pursuant to which the Group agreed to purchase all of the issued shares of Glowpear for a consideration of one American dollar (\$1.00 USD) and forgiveness of loan of RMB1,398,322.

Assets acquired and liabilities recognized at the date of acquisition are presented as follows:

	RMB
Cash and cash equivalents	170,954
Intangible assets	71,710
Property, plant and equipment	96,496
Inventories	840,022
Accounts payable and accrued liabilities	(66,122)
Shareholder loans	(179,272)
Loan to fellow subsidiaries	(834,930)
Loan to ultimate holding company	(105,993)
Net liabilities	<u>(7,135)</u>
Goodwill arising on acquisition	
	RMB
<u>Purchase consideration</u>	
Consideration transferred	7
Debt forgiveness	<u>1,398,322</u>
	1,398,329
Less: recognized amounts of net liabilities acquired	(7,135)
	<u>1,405,464</u>
Goodwill arising on acquisition	

The acquisition of the subsidiary included a debt forgiveness provision as stipulated in the share purchase agreement, whereby accounts payable and accrued liabilities and shareholder loans amounting to RMB1,398,322 were forgiven as part of the transaction. This forgiveness was considered in the calculation of goodwill, as it formed part of the consideration transferred for the acquisition. The forgiven debt, treated as a non-cash component of the consideration paid, contributed to the recognition of goodwill amounting to RMB1,405,464.

As at year end, the management identified certain indicators for impairment of goodwill, and tested the goodwill for impairment, and recognized impairment loss of RMB 1,405,464 in statement of profit or loss.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On June 30, 2025, the Company completed the acquisition of the remaining 21% non-controlling interest in RIL by making the final tranche payment of RMB 1,616,466 in accordance with the share purchase agreement.

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.