

Pearl River Holdings Limited

Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2015

(Unaudited - Prepared by Management)

(Presented in Chinese Yuan Renminbi)

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Notice of No Auditor Review of Interim Financial Statements


Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.



George Lunick
President and Chief Executive Officer



Anne Dang
Chief Financial Officer

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Financial Position

	March 31 2015 (RMB) <i>(Unaudited)</i>	December 31 2014 (RMB) <i>(Audited)</i>	March 31 2015 (CAD) <i>(Unaudited)</i>	December 31 2014 CAD <i>(Audited)</i>
Assets				
Current assets				
Cash and cash equivalents	17,843,872	13,702,935	3,667,273	2,561,057
Accounts receivable	19,734,136	33,622,046	4,055,760	6,283,907
Other receivables, deposits and prepaid expenses	5,273,250	5,963,071	1,083,758	1,114,489
Inventories	25,870,081	29,943,745	5,316,819	5,596,439
	<u>68,721,339</u>	<u>83,231,797</u>	<u>14,123,610</u>	<u>15,555,892</u>
Non-current assets				
Property, plant and equipment	36,295,623	37,110,583	7,459,477	6,935,909
Deposit	2,731,320	2,353,320	561,341	439,832
	<u>39,026,943</u>	<u>39,463,903</u>	<u>8,020,818</u>	<u>7,375,741</u>
Total assets	<u>107,748,282</u>	<u>122,695,700</u>	<u>22,144,428</u>	<u>22,931,633</u>
Liabilities				
Current liabilities				
Bank overdraft	-	203,804	-	38,091
Accounts payable and accrued liabilities	14,201,367	29,269,049	2,918,665	5,470,340
Current portion of bank borrowings	9,865,033	10,101,987	2,027,462	1,888,045
Taxes payable	494,446	635,693	101,619	118,810
	<u>24,560,846</u>	<u>40,210,533</u>	<u>5,047,746</u>	<u>7,515,286</u>
Non-current liabilities				
Deferred liability	5,001,515	5,001,515	1,027,911	934,775
Deferred tax	-	51,578	-	9,640
	<u>5,001,515</u>	<u>5,053,093</u>	<u>1,027,911</u>	<u>944,415</u>
Equity				
Share capital	52,242,949	52,242,949	10,736,971	9,764,125
Contributed surplus	1,557,622	1,557,622	320,122	291,117
Accumulated other comprehensive loss (income)	1,762,070	2,028,535	256,804	379,130
Deficit	(5,188,348)	(5,753,563)	(960,972)	(1,075,332)
Total equity attributable to common shareholders	<u>50,374,293</u>	<u>50,075,543</u>	<u>10,352,925</u>	<u>9,359,040</u>
Non-controlling interest	<u>27,811,628</u>	<u>27,356,531</u>	<u>5,715,846</u>	<u>5,112,892</u>
Total equity	<u>78,185,921</u>	<u>77,432,074</u>	<u>16,068,771</u>	<u>14,471,932</u>
Total liabilities and equity	<u>107,748,282</u>	<u>122,695,700</u>	<u>22,144,428</u>	<u>22,931,633</u>

Commitments (Note 4)

Approved by the Board:

(Signed) "George Lunick", Director

(Signed) "Juan Autrique", Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Pearl River Holdings Limited

Condensed Interim Consolidated Statements of Operations
(Unaudited)

	For the three months ended		
	March 31		
	2015	2014	2015
	RMB	RMB	CAD
Revenue	55,268,602	63,995,057	11,182,496
Cost of Goods Sold	42,948,059	52,488,282	8,689,681
Gross Profit	<u>12,320,543</u>	<u>11,506,775</u>	<u>2,492,815</u>
Expenses			
General and Administrative	6,108,844	6,153,357	1,236,002
Selling	4,192,079	3,541,388	848,183
Interest on long term debt	63,091	207,182	12,765
Depreciation	513,677	365,136	103,932
	<u>10,877,691</u>	<u>10,267,063</u>	<u>2,200,882</u>
Earnings before income taxes	1,442,852	1,239,712	291,933
Corporate Income Tax	<u>(422,540)</u>	<u>(488,992)</u>	<u>(85,493)</u>
Net income for the period	<u>1,020,312</u>	<u>750,720</u>	<u>206,440</u>
Net income (loss) attributable to:			
Common shareholders	565,215	358,589	114,360
Non-controlling interest	<u>455,097</u>	<u>392,131</u>	<u>92,080</u>
	<u>1,020,312</u>	<u>750,720</u>	<u>206,440</u>
Earnings per share attributable to common shareholders:			
Basic	0.0207	0.0131	0.0042
Fully diluted	0.0207	0.0131	0.0042

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Pearl River Holdings Limited

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	For the three months ended		
	March 31		
	2015	2014	2015
	RMB	RMB	CAD
Net income for the period	1,020,312	750,720	206,440
Other comprehensive loss:			
Exchange difference on translation of foreign operations	<u>(266,465)</u>	<u>76,210</u>	<u>(53,914)</u>
Comprehensive income (loss)	<u>753,847</u>	<u>826,930</u>	<u>152,526</u>
Comprehensive income (loss) attributable to:			
Common shareholders	298,750	434,799	60,446
Non-controlling interest	<u>455,097</u>	<u>392,131</u>	<u>92,080</u>
	<u>753,847</u>	<u>826,930</u>	<u>152,526</u>

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Pearl River Holdings Limited

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended		
	2015	March 31 2014	2015
	RMB	RMB	CAD
Cash flows provided by (used for):			
Operating activities			
Net income for the period	1,020,312	750,720	206,440
Add items not requiring cash			
Depreciation	1,395,460	1,087,525	282,339
Gain on foreign exchange	71,018	(7,544)	14,369
	<u>2,486,790</u>	<u>1,830,701</u>	<u>503,148</u>
Changes in non-cash working capital balances			
Accounts receivable	13,887,910	8,322,112	2,228,147
Inventories	4,073,664	(1,801,479)	279,620
Other receivables, deposits and prepaid expenses	689,821	1,019,683	30,731
Deposit	(378,000)	-	(121,509)
Accounts payable and accrued liabilities	(15,067,682)	1,507,134	(2,551,675)
Taxes payable	(141,247)	(251,393)	(17,191)
Deferred liabilities	-	-	93,136
Deferred taxes	(51,578)	-	(9,640)
	<u>3,012,888</u>	<u>8,796,057</u>	<u>(68,381)</u>
	<u>5,499,678</u>	<u>10,626,758</u>	<u>434,767</u>
Investing activities			
Acquisition of capital assets	(644,237)	(911,448)	(132,404)
	<u>(644,237)</u>	<u>(911,448)</u>	<u>(132,404)</u>
Financing activities			
Change in bank borrowings	(236,954)	(5,043,430)	139,417
Change in non-controlling interests	455,097	392,131	602,954
	<u>218,143</u>	<u>(4,651,299)</u>	<u>742,371</u>
Increase (decrease) in cash during period	5,073,584	5,064,011	1,044,734
Effect of exchange rate differences on cash	(728,843)	(344,291)	99,573
Cash and cash equivalents - beginning of period	<u>13,499,131</u>	<u>14,871,756</u>	<u>2,522,966</u>
Cash and cash equivalents - end of period	<u>17,843,872</u>	<u>19,591,476</u>	<u>3,667,273</u>
Supplemental cash flow information:			
Income Taxes paid			
Foreign value added tax, net	1,232,690	1,232,690	222,845

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Changes in Equity
(Unaudited)

	Attributable to common shareholders							
	Share capital	Contributed	Accumulated	Deficit	Total	Non-	Total	
Shares	Amount	Surplus	other comprehensive income (loss)	RMB	RMB	controlling interests	equity	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Balance, December 31, 2013	27,309,927	52,242,949	1,557,622	2,359,410	(8,741,466)	47,418,515	27,857,150	75,275,665
Net income	-	-	-	-	358,589	358,589	392,131	750,720
Other comprehensive income (loss)	-	-	-	76,210	-	76,210	-	-
Change in control of joint venture	-	-	-	-	-	-	-	-
Balance, March 31, 2014	27,309,927	52,242,949	1,557,622	2,435,620	(8,382,877)	47,853,314	28,249,281	76,102,595
Balance, December 31, 2014	27,309,927	52,242,949	1,557,622	2,028,535	(5,753,563)	50,075,543	27,356,531	77,432,074
Net income	-	-	-	-	565,215	565,215	455,097	1,020,312
Other comprehensive income (loss)	-	-	-	(266,465)	-	(266,465)	-	(266,465)
Change in control of joint venture	-	-	-	-	-	-	-	-
Balance, March 31, 2015	27,309,927	52,242,949	1,557,622	1,762,070	(5,188,348)	50,374,293	27,811,628	78,185,921

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

CORPORATE INFORMATION

DIRECTORS:

Juan Alberto Autrique *
James Filer *
George W. Lunick *
Rod Bell

* Members of Audit Committee

OFFICERS:

Juan Alberto Autrique
Chairman

George W. Lunick
President
Chief Executive Officer

Anne Dang
Chief Financial Officer

TRANSFER AGENT AND REGISTRAR:

Equity Transfer & Trust Co.
Calgary, Alberta

HEAD OFFICE:

383 Richmond Street, Suite 500
London, Ontario, N6A 3C4

(Hong Kong Office)
Suite 1031, Car Po Commercial Bldg.
18-20, Lyndhurst Terrace
Central, Hong Kong

CANADIAN VENTURE EXCHANGE:

(Symbol "PRH")

BANKERS:

Bank of Montreal
London, Ontario

AUDITORS:

Crowe MacKay Chartered Accountants
Calgary, Alberta

SOLICITORS:

DLA Piper (Canada) LLP
Calgary, Alberta

Condensed Notes to the Interim Consolidated Financial Statements

Three months ended March 31, 2015

(Unaudited)

1. Nature of Operations

Pearl River Holdings Limited (the "Corporation" or "Pearl River"), is incorporated under the Canada Business Corporations Act, and through its subsidiaries, Pearl River Plastics, Rodman Plastics, Rodman Enterprises, Red Door Enterprises, Red Door China and Guangzhou Rodman Plastics, and primarily operates in China 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.

2. Basis of presentation

These interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Consolidated Financial Statements for the year ended December 31, 2014. The disclosures provided below are incremental to those included with the annual Consolidated Financial Statements. Certain information and disclosures normally included in the notes to the annual Consolidated Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim Consolidated Financial Statements should be read in conjunction with the annual Consolidated Financial Statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by IASB.

These interim condensed consolidated financial statements were approved by the Board of Directors on May 28, 2015.

Functional and presentation currency

The Group operates in countries with different currencies. All companies have, as their functional currency, the local currency of the country in which they operate, which is their primary economic environment.

The consolidated financial statements have been translated to the Renminbi in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates as it relates to foreign operations.

Convenience Translation into Canadian Dollar Amounts

The Corporation functional and presentation currency is Renminbi. The CAD amounts provided in the financial statements represent supplementary information solely for the convenience of the reader.

The financial statements are translated into Canadian dollars using a convenience translation at the rate of RMB 4.8657 to CAD \$1, based on the exchange rate as of March 31, 2015.

The financial statements are translated into Canadian dollars using a convenience translation at the rate of RMB 5.3505 to CAD \$1, based on the exchange rate as of December 31, 2014.

Such presentation is not in accordance with IFRS and should not be construed as a representation that the RMB amount shown could be readily converted, realized or settled in CAD at this or any other rate.

Condensed Notes to the Interim Consolidated Financial Statements
 Three months ended March 31, 2015
 (Unaudited)

3. Commitments

Under the terms of operating leases for its office and manufacturing premises, the Corporation is obligated to make the following minimum rental payments exclusive of occupancy costs over the following years.

Annual commitments from:

Within one year	RMB 5,953,777
After one year but within five years	21,344,233
After five years	30,522,744

4. Related party transactions

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 and in the ordinary course of business, the Group had the following material transactions with related parties which are not members of the Group:

	2015	2014
<u>PRC partner of the Jointly Controlled Entity</u>		
Purchase of raw materials	RMB 5,463,077	RMB 2,598,841
Sale of goods	-	-

- (b) During the year, the Corporation had the following other transactions included in general and administrative expenses with related parties:

	2015	2014
Administrative fees incurred with a Corporation controlled by a director of the Corporation	RMB 5,961	RMB 24,004

Of this amount, RMB 528 is included in accounts payable and accrued liabilities in respect to administrative fees at March 31, 2015.

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

	2015	2014
Management salary and benefits	RMB 506,975	RMB 468,727

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 similar terms and conditions as those with non-related parties.

Condensed Notes to the Interim Consolidated Financial Statements
 Three months ended March 31, 2015
 (Unaudited)

5. SEGMENT INFORMATION

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

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

The following table's present revenue and assets information for the Group's geographical segments:

	2015	2014
	RMB	RMB
<u>Revenue from external customers</u>		
The PRC	44,983,554	55,643,760
Australia	7,912,907	5,720,343
USA	2,372,141	2,630,954
	<u>55,268,602</u>	<u>63,995,057</u>
 <u>Segment assets</u>		
The PRC	91,182,327	112,214,730
Australia	7,201,291	4,062,478
USA	550,993	416,063
Hong Kong	8,707,440	257,290
Canada	106,231	91,184
	<u>107,748,282</u>	<u>117,041,745</u>