PEARL RIVER HOLDINGS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
Six months ended June 30, 2015

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 August 28, 2015 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 June 30, 2015. 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, 2014.

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, 2014. The Company's consolidated financial statements for the year ended December 31, 2014 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.

In this MD&A, Pearl and its subsidiaries are referred to collectively as "Pearl", the "Group" or the "Company" unless the context requires otherwise. The information in this report is as at August 28, 2015

FINANCIAL HIGHLIGHTS

	2015		**2014**	
	Quarter ended June 30 (RMB)	**Year to date** (RMB)	**Quarter ended June 30** (RMB)	**Year to date** **(RMB)**
Revenue	53,726,693	108,995,295	59,456,393	123,451,450
Gross profit	12,528,656	24,849,199	13,029,407	24,536,182
Gross margin	23.32%	22.80%	21.91%	19.88%
Net income attributable to common shareholders	967,178	1,532,393	1,493,284	1,851,873
Net income attributable to common shareholders per share	0.0354	0.0561	0.0547	0.0678
			June 30, 2015 (RMB)	**December 31, 2014** (RMB)
Total assets			116,040,625	122,695,700
Total liabilities			37,508,376	45,263,626
Shareholders' Equity			50,315,522	50,075,543
Non-controlling interest			28,216,727	27,356,563

- Revenues decreased by 9.64% for the quarter and 11.71% for the year to date compared to 2014. The operating margins have increased by 1.41% for the quarter and by 2.92% for the year to date compared to 2014.

- Debt to equity – .48:1 (June 30, 2015), .59:1 (December 31, 2014), .59:1 (December 31, 2013)

RESULTS OF OPERATIONS

Sales

	2015		**2014**	
	Quarter (RMB)	**Year to date** (RMB)	**Quarter** (RMB)	**Year to date** (RMB)
	53,726,693	**108,995,295**	59,456,393	123,451,450

Sales have decreased by 5,729,700 RMB or 9.64% for the quarter and by 14,456,155 RMB or 11.71% for the year to date from 2014 due to shipments of product from a large cooler order placed in late 2013 that included shipments in early 2014. There were no similar orders in the current period.

Gross Profit

	Quarter		**Year to date**	
	2015	**2014**	**2015**	**2014**
Gross Profit	12,528,656	13,029,407	24,849,199	24,536,182
% of Total Sales	23.32	21.91	22.80	17.98

Salaries

Salaries increased to 3,767,449 RMB from 3,596,413 RMB (4.76%) for the quarter and to 7,329,612 RMB from 7,039,480 RMB (4.12%) for the year to date compared to 2014. The increases were due to a new production team set up for the new plant for cooler and export orders production.

General Administration

General administrative expenses increased to 6,494,052 RMB from 5,959,715 RMB (8.97%) for the quarter and to 12,602,896 RMB from 12,113,072 RMB (4.04%) for the year to date compared to 2014. The increase was due to additional rental and other costs associated with the new plant that opened in July 2014.

Selling

Selling expenses decreased to 3,649,849 RMB from 4,066,356 RMB (10.24%) for the quarter and increased to 7,841,928 from 7,607,744 (3.08%) for the year to date compared to 2014. The reduction in the quarter was due to payment of less royalties this year as there was no large cooler sale in the current year. The increase for the year to date is due to increased freight costs of smaller orders and export orders for the new cooler and jug models. In 2014, the company did not have to pay for transportation for the large cooler order.

Interest on Debt

Interest has decreased due to the loans being paid down.

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.

Quarterly Information

Selected Quarterly Consolidated Financial Information

		Unaudited Quarters Ended						
		June 30, 2015 (RMB)		**March 31, 2015** (RMB)		**December 31, 2014** (RMB)		**September 30, 2014** (RMB)
Revenue		53,726,693		55,268,602		60,166,642		68,423,233
Net income attributable to common shareholders		967,178		565,215		(1,189,791)		2,355,821
Net income attributable to common shareholders per Share		.0354		0.0207		(0.0436)		0.0852

		Unaudited Quarters Ended						
		June 30, 2014 (RMB)		**March 31, 2014** (RMB)		**December 31, 2013** (RMB)		**September 30, 2013** (RMB)
Revenue		59,456,986		63,995,057		73,970,098		64,006,677
Net income (loss) attributable to common shareholders		1,493,284		358,589		2,366,000		1,371,096
Net income (loss) attributable to common shareholders per Share		0.0547		0.0131		0.0869		0.0501

Liquidity and Capital Resources

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 sated 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:

	June 30, 2015 (RMB)	**June 30, 2014** (RMB)
Cash provided by operating activities	6,759,238	8,866,395
Cash provided by (used in) investing activities	(2,689,064)	(1,138,463)
Cash provided by (used for) financing activities	405,181	(9,917,865)

Contractual obligations, Commitments and Guarantees

a) Commitments

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

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

The Corporation has no capital commitments outstanding at June 30, 2015 as part of its Joint Venture (2014 - nil).

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

	June 30, 2015		**June 30, 2014**	
	Common Shares (#)	**Amount (RMB)**	**Common Shares (#)**	**Amount (RMB)**
Balance – Beginning and end of period	27,309,927	52,242,949	27,309,927	52,242,949

c) Stock option plan

The Company did not have any stock options outstanding or stock option transactions for the period ended June 30, 2015.

Related Party Transactions

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

a) During the period and in the normal course of business, the Company entered into the following transactions with Guangzhou Plastics Industrial Joint Stock Co. Limited, the PRC partner of the jointly controlled entity, Guangzhou Rodman Plastics:

	Quarter (RMB)	**Year to date** (RMB)
Purchase of raw materials	2,579,381	8,042,458
Sale of finished goods	-	-

b) 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 paid in the amount of 84,249 RMB during the current quarter. Of this amount there are no amounts included in accounts payable and accrued liabilities at June 30, 2015.

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

	Quarter (RMB)	**Year to date** (RMB)
Management salary and benefits	504,658	1,011,633

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.

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.

The capital structure of the Group consists of equity attributable to equity holders of the Company only, comprising share capital and reserves.

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

Financial Instruments and Other Instruments (continued)

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

a) Credit risk

The Group's credit risk is primarily attributable to its accounts and other receivables and amount due from ultimate holding company. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 days from the date of billing. Debtors with balances that are more than three months past due are requested to settle outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

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 fair value interest rate risk mainly arises from bank borrowings which interest rates and terms of repayment are disclosed in Notes to the annual financial statements. Borrowings were issued at fixed rates which expose the Group to fair value interest rate risk. The Group has no cash flow interest rate risk as there are no bank borrowings which bear floating interest rates. 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 currencies giving rise to this risk are primarily the Renminbi and United States dollar.

Financial Instruments and Other Instruments (continued)

e) Price risk

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

Fair value of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at June 30, 2015 and December 31, 2014.

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 period, 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 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 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 amount required involves management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charged/written back in the period in which the estimate has been changed.

Critical accounting judgments and key sources of estimation uncertainty (continued)

Provision for doubtful debts

Provision for doubtful debts is made based on assessment of the recoverability of trade debtors and other receivables. The identification of doubtful debts requires management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade debtors and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed.

Income taxes

The Company is subject to income taxes in Canada and in certain of its foreign operations. Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations. It is possible, due to complexity inherent in estimating income taxes that the tax provision and deferred income tax balances could change.

Estimated useful lives

Management estimates the useful lives of property, plant and equipment and amortizing intangible assets based on the period during which the assets are available for use. The amounts and timing of depreciation and amortization for these amounts are affected by the useful lives. The estimates are reviewed annually and are updated for changes in the expected useful life.

Business Development

Pearl continues to expand its business activities by increasing its distribution network throughout the new economic development areas in China; by developing new products for the logistics / automotive and agriculture industries; developing new products in conjunction with its export OEM customers and continuing to increase business activity from non-plastic sourcing opportunities.

Risks and Uncertainties

Pearl operates in the Chinese market which involves various known and unknown risk factors and uncertainties and other factors affecting Pearl specifically or the markets generally, Pearl's future performance could be affected by these important factors, which in some cases have affected, and which in the future could affect, Pearl's actual results and that could cause Pearl's actual results for 2015 and beyond to differ materially from those expressed in any forward looking statements made by or on behalf of Pearl. These risks and uncertainties include fluctuations in the level of local demand and capital, changes in Pearl's product costs and pricing, an inability to achieve or delays in achieving sayings related to the cost reductions, consolidation and restructuring program, changes in Pearl's product mix, the growth rate of the markets in which Pearl products are sold, market acceptance and demand for Pearl's products, changes in availability or prices for raw materials, pricing competition, difficulty in developing and introducing new products, failure to penetrate new markets effectively, limitations on foreign investment in local business and other political, economic and regulatory risks, difficulty in preserving proprietary technology, changes in environmental regulation and currency risk exposure. Certain of these risks and uncertainties are described in more detail below.

Risks and Uncertainties (continued)

The price and availability of raw materials represents a substantial portion of the cost of manufacturing Pearl products. Historically, there have been fluctuations in these raw materials' prices and in some instances price movements have been volatile and affected by circumstances beyond Pearl's control. There can be no assurance that Pearl can pass on increase from normal market fluctuations in the price of resin to its customers through increases in selling price, or otherwise absorb such cost increases without significantly affecting its margins. In addition, the industry has occasionally found certain raw materials to be in short supply.

Outlook

The Chinese economy continues to slow particularly in the manufacturing industries. The traditional plastics business has contracted as many factories reduce their output or cease operations. The cooler business continues to grow in both the domestic and international markets. Overall the Group's performance in for the remainder of 2015 will be an improvement.