

Pearl River Holdings Limited

Interim Condensed Consolidated Financial Statements
For the nine months ended September 30, 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.

(signed) "George Lunick"

George Lunick
President and Chief Executive Officer

(signed) "Anne Dang"

Anne Dang
Chief Financial Officer

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Financial Position

	September 30 2015 (RMB) <i>(Unaudited)</i>	December 31 2014 (RMB) <i>(Audited)</i>	September 30 2015 (CAD) <i>(Unaudited)</i>	December 31 2014 CAD <i>(Audited)</i>
Assets				
Current assets				
Cash and cash equivalents	19,994,548	13,702,935	4,219,449	2,561,057
Accounts receivable	26,655,195	33,622,046	5,625,046	6,283,907
Other receivables, deposits and prepaid expenses	10,616,814	5,963,071	2,240,466	1,114,489
Inventories	32,284,567	29,943,745	6,813,012	5,596,439
	<u>89,551,124</u>	<u>83,231,797</u>	<u>18,897,973</u>	<u>15,555,892</u>
Non-current assets				
Property, plant and equipment	36,841,408	37,110,583	7,774,642	6,935,909
Deposit	2,731,320	2,353,320	576,391	439,832
	<u>39,572,728</u>	<u>39,463,903</u>	<u>8,351,033</u>	<u>7,375,741</u>
Total assets	<u>129,123,852</u>	<u>122,695,700</u>	<u>27,249,006</u>	<u>22,931,633</u>
Liabilities				
Current liabilities				
Bank overdraft	-	203,804	-	38,091
Accounts payable and accrued liabilities	27,473,367	29,269,049	5,797,705	5,470,340
Current portion of bank borrowings	9,503,516	10,101,987	2,005,527	1,888,045
Taxes payable	836,057	635,693	176,433	118,810
	<u>37,812,940</u>	<u>40,210,533</u>	<u>7,979,665</u>	<u>7,515,286</u>
Non-current liabilities				
Deferred liability	5,001,514	5,001,515	1,055,470	934,775
Deferred tax	-	51,578	-	9,640
	<u>5,001,514</u>	<u>5,053,093</u>	<u>1,055,470</u>	<u>944,415</u>
Equity				
Share capital	52,242,949	52,242,949	11,024,829	9,764,125
Contributed surplus	1,557,622	1,557,622	328,705	291,117
Accumulated other comprehensive loss (income)	4,606,516	2,028,535	868,255	379,130
Deficit	(1,251,010)	(5,753,563)	(160,143)	(1,075,332)
	<u>57,156,077</u>	<u>50,075,543</u>	<u>12,061,646</u>	<u>9,359,040</u>
Total equity attributable to common shareholders	<u>57,156,077</u>	<u>50,075,543</u>	<u>12,061,646</u>	<u>9,359,040</u>
Non-controlling interest	<u>29,153,321</u>	<u>27,356,531</u>	<u>6,152,225</u>	<u>5,112,892</u>
Total equity	<u>86,309,398</u>	<u>77,432,074</u>	<u>18,213,871</u>	<u>14,471,932</u>
Total liabilities and equity	<u>129,123,852</u>	<u>122,695,700</u>	<u>27,249,006</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.

Condensed Interim Consolidated Statements of Operations
(Unaudited)

	For the three months ended September 30			For the nine months ended September 30		
	2015 RMB	2014 RMB	2015 CAD	2015 RMB	2014 RMB	2015 CAD
Revenue	69,397,160	68,423,233	14,433,742	178,392,455	191,874,683	36,260,050
Cost of Goods Sold	52,388,200	54,136,382	10,901,705	136,534,296	153,051,650	27,751,961
Gross Profit	<u>17,008,960</u>	<u>14,286,851</u>	<u>3,532,037</u>	<u>41,858,159</u>	<u>38,823,033</u>	<u>8,508,089</u>
Expenses						
General and Administrative	7,719,488	6,398,775	1,606,998	20,322,384	18,511,847	4,130,728
Selling	3,993,229	3,489,543	835,268	11,835,157	11,097,287	2,405,614
Interest on long term debt	343,584	143,747	70,317	503,124	448,291	102,265
Depreciation	561,446	417,799	117,210	1,588,343	1,150,406	322,846
	<u>12,617,747</u>	<u>10,449,864</u>	<u>2,629,793</u>	<u>34,249,008</u>	<u>31,207,831</u>	<u>6,961,453</u>
Earnings before income taxes	4,391,213	3,836,987	902,244	7,609,151	7,615,202	1,546,636
Corporate Income Tax	<u>(484,459)</u>	<u>(458,782)</u>	<u>(100,956)</u>	<u>(1,309,808)</u>	<u>(1,468,328)</u>	<u>(266,232)</u>
Net income for the period	<u>3,906,754</u>	<u>3,378,205</u>	<u>801,288</u>	<u>6,299,343</u>	<u>6,146,874</u>	<u>1,280,404</u>
Net income (loss) attributable to:						
Common shareholders	2,970,160	2,325,821	528,152	4,502,553	4,177,694	915,188
Non-controlling interest	<u>936,594</u>	<u>1,052,384</u>	<u>273,136</u>	<u>1,796,790</u>	<u>1,969,180</u>	<u>365,216</u>
	<u>3,906,754</u>	<u>3,378,205</u>	<u>801,288</u>	<u>6,299,343</u>	<u>6,146,874</u>	<u>1,280,404</u>
Earnings per share attributable to common shareholders:						
Basic	0.1088	0.0852	0.0193	0.1649	0.1530	0.0335
Fully diluted	0.1088	0.0852	0.0193	0.1649	0.1530	0.0335

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 September 30			For the nine months ended September 30		
	2015 RMB	2014 RMB	2015 CAD	2015 RMB	2014 RMB	2015 CAD
Net income for the period	3,906,754	3,378,205	801,288	6,299,343	6,146,874	1,280,404
Other comprehensive loss:						
Exchange difference on translation of foreign operations	<u>3,870,395</u>	<u>(2,091,490)</u>	<u>577,914</u>	<u>2,577,981</u>	<u>(3,010,699)</u>	<u>524,000</u>
Comprehensive income (loss)	<u>7,777,149</u>	<u>1,286,715</u>	<u>1,379,202</u>	<u>8,877,324</u>	<u>3,136,175</u>	<u>1,804,404</u>
Comprehensive income (loss) attributable to:						
Common shareholders	6,840,555	234,331	1,187,104	7,080,534	1,166,995	1,439,189
Non-controlling interest	<u>936,594</u>	<u>1,052,384</u>	<u>192,098</u>	<u>1,796,790</u>	<u>1,969,180</u>	<u>365,215</u>
	<u>7,777,149</u>	<u>1,286,715</u>	<u>1,379,202</u>	<u>8,877,324</u>	<u>3,136,175</u>	<u>1,804,404</u>

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

Pearl River Holdings Limited

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended		
	2015	September 30	
	RMB	RMB	2015 CAD
Cash flows provided by (used for):			
Operating activities			
Net income for the period	6,299,343	6,146,874	1,280,404
Add items not requiring cash			
Depreciation	4,277,420	3,177,345	869,599
Gain on foreign exchange	(807,255)	104,355	(164,083)
	<u>9,769,508</u>	<u>9,428,574</u>	<u>1,985,920</u>
Changes in non-cash working capital balances			
Accounts receivable	6,966,851	7,684,672	658,861
Inventories	(2,340,822)	(2,689,574)	(1,216,573)
Other receivables, deposits and prepaid expenses	(4,653,743)	416,285	(1,125,977)
Deposit	(378,000)	-	(136,559)
Accounts payable and accrued liabilities	(1,795,682)	(1,312,989)	327,365
Taxes payable	200,364	(363,013)	57,623
Deferred liabilities	(1)	-	120,695
Deferred taxes	(51,578)	(104,100)	(9,640)
	<u>(2,052,611)</u>	<u>3,631,281</u>	<u>(1,324,205)</u>
Cash flows from operating activities	<u>7,716,897</u>	<u>13,059,855</u>	<u>661,715</u>
Investing activities			
Acquisition of capital assets	(4,078,226)	(4,540,770)	(860,621)
Cash Flows from investing activities	<u>(4,078,226)</u>	<u>(4,540,770)</u>	<u>(860,621)</u>
Financing activities			
Change in bank borrowings	(598,471)	(2,800,115)	117,482
Dividends paid	-	(2,962,271)	-
Change in non-controlling interests	1,796,790	(993,091)	1,039,333
Cash Flows from financing activities	<u>1,198,319</u>	<u>(6,755,477)</u>	<u>1,156,815</u>
Increase (decrease) in cash during period	4,836,990	1,763,608	957,909
Effect of exchange rate differences on cash	1,658,427	(2,121,962)	738,574
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>19,994,548</u>	<u>14,513,402</u>	<u>4,219,449</u>
Supplemental cash flow information:			
Income Taxes paid			
Foreign value added tax, net	2,195,235	3,186,738	446,204

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	RMB	RMB	controlling	equity	
	RMB	RMB	comprehensive	RMB	RMB	interests	RMB	
			income (loss)			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	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Change in control of joint venture	-	-	-	(3,010,699)	-	(3,010,699)	-	(3,010,699)
Balance, September 30, 2014	27,309,927	52,242,949	1,557,622	(651,289)	(4,563,772)	48,585,510	29,826,330	78,411,840
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	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Change in control of joint venture	-	-	-	2,577,981	-	2,577,981	-	2,577,981
Balance, September 30, 2015	27,309,927	52,242,949	1,557,622	4,606,516	(1,251,010)	57,156,077	29,153,321	86,309,398

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

Condensed Notes to the Interim Consolidated Financial Statements
Nine months ended September 30, 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 November 25, 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 4.7387 to CAD \$1, based on the exchange rate as of September 30, 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
 Nine months ended September 30, 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 15,175,960	RMB 14,719,108
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 126,415	RMB 107,967

Of this amount, nothing is included in accounts payable and accrued liabilities in respect to administrative fees at September 30, 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 1,525,535	RMB 1,417,958

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
 Nine months ended September 30, 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	132,779,898	149,572,865
Australia	34,502,556	32,507,253
USA	11,110,001	9,794,565
	<u>178,392,455</u>	<u>191,874,683</u>
<u>Segment assets</u>		
The PRC	104,613,792	92,330,070
Australia	16,307,588	13,159,718
USA	2,417,485	1,070,759
Hong Kong	5,614,062	8,846,494
Canada	170,925	224,058
	<u>129,123,852</u>	<u>115,631,099</u>

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:

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Calgary, Alberta

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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