Pearl River Holdings Limited

Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2016

(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 finanical statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated finanical 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

Condensed Interim Consolidated Statement of Financial Position

	March 31 2016 (RMB) *(Unaudited)*	December 31 2015 (RMB) *(Audited)*	March 31 2016 (CAD) (Unaudited)	December 31 2015 CAD (Audited)
Assets				
Current assets				
Cash and cash equivalents	25,937,839	20,694,939	5,208,820	4,410,122
Accounts receivable	16,635,774	35,849,028	3,340,785	7,639,481
Other receivables, deposits and prepaid expenses	9,923,984	6,535,255	1,992,928	1,392,673
Inventories	25,331,932	28,301,047	5,087,142	6,030,995
	77,829,529	91,380,269	15,629,675	19,473,271
Non-current assets				
Property, plant and equipment	39,256,195	39,443,720	7,883,403	8,405,515
Deposit	2,731,320	1,849,320	548,502	394,093
	41,987,515	41,293,040	8,431,905	8,799,608
Total assets	119,817,044	132,673,309	24,061,580	28,272,879
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	19,431,183	32,532,487	3,902,157	6,932,722
Current portion of bank borrowings	9,170,560	9,384,681	1,841,626	1,999,889
Taxes payable	468,555	221,117	94,095	47,120
	29,070,298	42,138,285	5,837,878	8,979,731
Non-current liabilities				
Deferred liability	4,925,977	4,998,497	989,231	1,065,187
Deferred tax	-	186,852	-	39,818
	4,925,977	5,185,349	989,231	1,105,005
Total Liabilities	33,996,275	47,323,634	6,827,109	10,084,736
Equity				
Share capital	52,242,949	52,242,949	10,491,395	11,133,050
Contributed surplus	1,557,622	1,557,622	312,801	331,932
Accumulated other comprehensive income	3,151,264	3,244,656	632,834	691,442
Deficit	(662,568)	(986,707)	(133,056)	(210,269)
Total equity attributable to common shareholders	56,289,267	56,058,520	11,303,974	11,946,155
Non-controlling interest	29,531,502	29,291,155	5,930,497	6,241,988
Total equity	85,820,769	85,349,675	17,234,471	18,188,143
Total liabilities and equity	119,817,044	132,673,309	24,061,580	28,272,879

Commitments (Note 4)

Approved by the Board:

(Signed) "George Lunick" , Director
(Signed) "Juan Autrique" , Director

'he 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		
	2016 RMB	2015 RMB	2016 CAD
Revenue	54,456,363	55,268,602	11,265,048
Cost of Goods Sold	42,012,375	42,948,059	8,690,837
Gross Profit	12,443,988	12,320,543	2,574,211
Expenses			
General and Administrative	6,804,228	6,108,844	1,407,548
Selling	4,018,194	4,192,079	831,219
Interest on long term debt	207,789	63,091	42,984
Depreciation	684,068	513,677	141,509
	11,714,279	10,877,691	2,423,260
Earnings before income taxes	729,709	1,442,852	150,951
Corporate Income Tax	(165,223)	(422,540)	(34,179)
Net income for the period	564,486	1,020,312	116,772
Net income (loss) attributable to:			
Common shareholders	324,139	565,215	67,053
Non-controlling interest	240,347	455,097	49,719
	564,486	1,020,312	116,772
Earnings per share attributable to common shareholders:			
Basic	0.0119	0.0207	0.0025
Fully diluted	0.0119	0.0207	0.0025

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	For the three months ended March 31 2016 RMB	2015 RMB	2016 CAD
Net income for the period	564,486	1,020,312	116,772
Other comprehensive loss:			
Exchange difference on translation of foreign operations	(93,392)	(399,297)	(19,319)
Comprehensive income (loss)	471,094	621,015	97,453
Comprehensive income (loss) attributable to:			
Common shareholders	230,747	165,918	47,733
Non-controlling interest	240,347	455,097	49,719
	471,094	621,015	97,453

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

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended March 31 2016 RMB	2015 RMB	2016 CAD
Cash flows provided by (used for):			
Operating activities			
Net income for the period	564,486	1,020,312	116,772
Add items not requiring cash			
Depreciation	1,717,993	1,395,460	835,824
Gain on foreign exchange	-	71,018	-
	2,282,479	2,486,790	952,596
Changes in non-cash working capital balances			
Accounts receivable	19,213,254	13,887,910	4,298,696
Inventories	2,969,115	4,073,664	943,853
Other receivables, deposits and prepaid expenses	(3,388,729)	689,821	(600,255)
Deposit	(882,000)	(378,000)	(154,409)
Accounts payable and accrued liabilities	(13,101,304)	(15,067,682)	(3,030,565)
Taxes payable	247,438	(141,247)	46,975
Deferred liabilities	(72,520)	-	(75,956)
Deferred taxes	(186,852)	(51,578)	(39,818)
	4,798,402	3,012,888	1,388,521
Cash flows from operating activities	7,080,881	5,499,678	2,341,117
Investing activities			
Acquisition of capital assets	(1,562,160)	(644,237)	(313,712)
Cash Flows from investing activities	(1,562,160)	(644,237)	(313,712)
Financing activities			
Change in bank borrowings	(214,121)	(236,954)	(158,263)
Change in non-controlling interests	240,347	455,097	(311,491)
Cash Flows from financing activities	26,226	218,143	(469,754)
Increase (decrease) in cash during period	5,544,947	5,073,584	1,557,651
Effect of exchange rate differences on cash	(302,047)	(728,843)	(758,953)
Cash and cash equivalents - beginning of period	20,694,939	13,499,131	4,410,122
Cash and cash equivalents - end of period	25,937,839	17,843,872	5,208,820
Supplemental cash flow information:			
Income Taxes paid			
Foreign value added tax, net	619,735	888,363	128,201

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

Condensed Interim Consolidated Statement of Changes in Equity
(Unaudited)

	Attributable to common shareholders							
	Share capital			Accumulated other			Non-	
	Shares	Amount	Contributed Surplus	comprehensive income (loss)	Deficit	Total	controlling interests	Total equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
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)								
Currency translation adjustment	-	-	-	(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
Balance, December 31, 2015	27,309,927	52,242,949	1,557,622	3,244,656	(986,707)	56,058,520	29,291,155	85,349,675
Net income	-	-	-		324,139	324,139	240,347	564,486
Other comprehensive income (loss)								
Currency translation adjustment	-	-	-	(93,392)		(93,392)		(93,392)
Change in control of joint venture						-		-
Balance, March 31, 2016	**27,309,927**	**52,242,949**	**1,557,622**	**3,151,264**	**(662,568)**	**56,289,267**	**29,531,502**	**85,820,769**

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

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. New accounting standards adopted during the reporting period

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

IFRS 5 Non current Assets Held for Sale and Discontinued Operations

The amendment clarifies circumstances in which an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and in circumstances which an entity no longer meets the criteria for held for distribution.

IFRS 7 Financial Instruments

The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements.

IAS 34 Interim Financial Reporting

The amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference.

IFRS 11 Joint Arrangements

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

IAS 27 Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements

3. 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, 2015. 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, 2015, 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 30, 2016.

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 are presented in Chinese Yuan Renminbi ("RMB") and have been translated to RMB 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 Canadian dollar ("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 4.9796 to CAD $1, based on the exchange rate as of March 31, 2016.

The financial statements are translated into Canadian dollars using a convenience translation at the rate of RMB 4.6926 to CAD $1, based on the exchange rate as of December 31, 2015.

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.

4. 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 6,291,932**
After one year but within five years	**20,953,496**
After five years	**25,392,007**

5. 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:

	2016	2015
<u>PRC partner of the Jointly Controlled Entity</u>		
Purchase of raw materials	**RMB 3,926,145**	RMB 5,463,077
Trademark paid	**36,000**	-

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

	2016	2015
Administrative fees incurred with a Corporation controlled by a director of the Corporation	**RMB 17,781**	RMB 24,004

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:

	2016	2015
Management salary and benefits	**RMB 534,391**	RMB 506,975

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.

6. 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:

	2016	2015
	RMB	**RMB**
Revenue from external customers		
The PRC	38,754,617	44,983,554
Australia	12,435,015	7,912,907
USA	3,266,731	2,372,141
	54,456,363	55,268,602
Segment assets		
The PRC	58,088,212	91,182,327
Australia	8,284,564	7,201,291
USA	2,177,233	550,993
Hong Kong	51,114,290	8,707,440
Canada	152,745	106,231
	119,817,044	107,748,282