PEARL RIVER HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

(Presented in Chinese Yuan Renminbi)

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CONTENTS

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Independent Auditor's Report

To the Shareholders of
Pearl River Holdings Limited

We have audited the accompanying consolidated financial statements of Pearl River Holdings Limited, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pearl River Holdings Limited as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed "Crowe MacKay LLP"

Chartered Professional Accountants
Calgary, Canada
May 1, 2017

PEARL RIVER HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(Presented in Chinese Yuan Renminbi)

	2016	2015	2016
	(RMB)	*(RMB)*	*(CAD)*
			(Note 3c)
Sales (Note 7)	**232,836,902**	242,981,483	44,937,931
Cost of Goods Sold (Note 8)	**175,551,610**	187,030,075	33,881,769
Gross Profit	**57,285,292**	55,951,408	11,056,162
Expenses			
General and Administrative	**30,056,496**	28,088,473	5,800,957
Selling	**16,446,961**	16,835,535	3,174,292
Finance (Note 11)	**467,690**	614,142	90,265
Depreciation	**2,882,352**	2,193,069	556,299
	49,853,499	47,731,219	9,621,813
Income before other items	**7,431,793**	8,220,189	1,434,349
Other items			
Gain (loss) on foreign exchange	**2,453,864**	(582,250)	473,600
Other income (Note 10)	**307,267**	435,499	59,303
	2,761,131	(146,751)	532,903
Earnings before income taxes	**10,192,924**	8,073,438	1,967,252
Income tax (Note 12)	**1,101,448**	1,822,633	212,581
Net income for the year	**9,091,476**	6,250,805	1,754,671
Net income attributable to:			
Common shareholders	**6,077,834**	4,766,856	1,173,033
Non-controlling interest	**3,013,642**	1,483,949	581,638
	9,091,476	6,250,805	1,754,671
Earnings per share attributable to common shareholders:			
Basic and diluted	**0.22**	0.17	0.04

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

PEARL RIVER HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(Presented in Chinese Yuan Renminbi)

	2016	2015	2016
	(RMB)	*(RMB)*	*(CAD)*
			(Note 3c)
Net income for the year	**9,091,476**	6,250,805	1,754,671
Other comprehensive income:			
Exchange difference on translation			
of financial statements of foreign operation	**1,609,300**	1,666,796	310,598
Comprehensive income	**10,700,776**	7,917,601	2,065,269
Comprehensive income attributable to:			
Common shareholders	**7,310,240**	5,982,977	1,410,890
Non-controlling interest	**3,390,536**	1,934,624	654,379
	10,700,776	7,917,601	2,065,269

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

PEARL RIVER HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016 AND 2015
(Presented in Chinese Yuan Renminbi)

	December 31 2016 *(RMB)*	December 31 2015 *(RMB)*	December 31 2016 *(CAD)* *(Note 3c)*
Assets			
Current assets			
Cash and cash equivalents	**24,498,162**	20,694,939	4,728,188
Accounts receivable (Note 16)	**28,514,923**	35,849,028	5,503,430
Other receivables, deposits and prepaid expenses (Note 28)	**6,134,648**	6,535,255	1,183,998
Income taxes recoverable	**277,227**	-	53,505
Inventories (Note 15)	**28,210,391**	28,301,047	5,444,655
	87,635,351	91,380,269	16,913,776
Non-current assets			
Property, plant and equipment (Note 13)	**40,276,357**	39,443,720	7,773,408
Deposit	**1,345,320**	1,849,320	259,649
Total assets	**129,257,028**	132,673,309	24,946,833
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Notes 17 and 25)	**21,236,263**	32,532,487	4,098,635
Current portion of bank borrowings (Note 18)	**8,562,565**	9,384,681	1,652,590
Income taxes payable	**-**	221,117	0
	29,798,828	42,138,285	5,751,225
Non-current liabilities			
Deferred liabilities (Note 19)	**4,853,577**	4,998,497	936,749
Deferred tax liabilities (Note 12)	**174,172**	186,852	33,616
	5,027,749	5,185,349	970,365
Total liabilities	**34,826,577**	47,323,634	6,721,590
Equity			
Share capital (Note 22)	**52,242,949**	52,242,949	10,082,981
Contributed surplus	**1,557,622**	1,557,622	300,624
Accumulated other comprehensive income	**4,477,062**	3,244,656	864,081
Retained earnings (Deficit) (Note 23)	**5,091,127**	(986,707)	982,596
Total equity attributable to common shareholders	**63,368,760**	56,058,520	12,230,282
Non-controlling interest (Note 24)	**31,061,691**	29,291,155	5,994,961
Total equity	**94,430,451**	85,349,675	18,225,243
Total liabilities and equity	**129,257,028**	132,673,309	24,946,833

Subsequent events (Note 18)
Commitments (Note 25)

(Signed) "George Lunick", Director

(Signed) "Jorge Enrique Autrique Ruiz", Director

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

PEARL RIVER HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(Presented in Chinese Yuan Renminbi)

	Attributable to common shareholders							
	Share capital		Contributed	Accumulated other comprehensive	Retained earnings		Non-controlling	Total
	Shares	Amount	Surplus	income	(Deficit)	Total	interests	equity
	Number	(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	-	-	-	-	4,766,856	4,766,856	1,483,949	6,250,805
Other comprehensive income (loss)								
Currency translation adjustment	-	-	-	1,216,121	-	1,216,121	450,675	1,666,796
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
Dividend paid to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	(1,620,000)	(1,620,000)
Net income	-	-	-	-	6,077,834	6,077,834	3,013,642	9,091,476
Other comprehensive income:								
Currency translation adjustment	-	-	-	1,232,406	-	1,232,406	376,894	1,609,300
Balance, December 31, 2016	**27,309,927**	**52,242,949**	**1,557,622**	**4,477,062**	**5,091,127**	**63,368,760**	**31,061,691**	**94,430,451**

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

PEARL RIVER HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015
(Presented in Chinese Yuan Renminbi)

	2016 (RMB)	2015 (RMB)	2016 (CAD)
Cash flows provided by (used for):			*(Note 3c)*
Operating activities			
Net income for the year	**9,091,476**	6,250,805	1,754,671
Add items not requiring cash			
Depreciation	**6,725,684**	6,128,627	1,298,069
Deferred income tax expense (recovery)	**(12,680)**	122,329	(2,447)
Gain (loss) on disposal of property, plant and equipment	**143,269**	(6,309)	27,651
Provision for bad debts	**1,081,003**	222,080	208,635
	17,028,752	12,717,532	3,286,579
Changes in non-cash working capital balances			
Accounts receivable	**7,199,261**	(1,586,166)	1,389,470
Inventories	**121,282**	1,704,695	23,408
Other receivables, deposits and prepaid expenses	**1,082,963**	30,214	209,014
Accounts payable and accrued liabilities	**(11,567,598)**	3,068,546	(2,232,567)
Income taxes	**(498,344)**	(414,576)	(96,181)
Deferred liabilities	**(144,920)**	(3,018)	(27,970)
Effect of foreign exchange rate differences	**(145,230)**	336,583	(28,030)
Cash flows from operating activities	**13,076,166**	15,853,810	2,523,723
Investing activities			
Acquisition of property, plant and equipment	**(7,287,476)**	(8,118,250)	(1,406,496)
Proceeds from disposal of property, plant and equipment	**3,540**	15,850	683
Cash flows from investing activities	**(7,283,936)**	(8,102,400)	(1,405,813)
Financing activities			
Proceeds from bank borrowings	**8,000,000**	8,000,000	1,544,014
Repayments of bank borrowings	**(8,879,039)**	(8,805,008)	(1,713,670)
Dividends paid to non-controlling interests	**(1,620,000)**	-	(312,663)
Cash flows from financing activities	**(2,499,039)**	(805,008)	(482,319)
Increase (decrease) in cash during year	**3,293,191**	6,946,402	635,591
Effect of exchange rate differences on cash	**510,032**	249,406	98,437
Cash and cash equivalents - beginning of year	**20,694,939**	13,499,131	3,994,160
Cash and cash equivalents - end of year	**24,498,162**	20,694,939	4,728,188
Cash and cash equivalents is comprised of the following:			
Cash at banks and in hand	**24,498,162**	20,694,939	4,728,188
Supplemental cash flow information:			
Income taxes paid	**1,612,472**	2,114,880	311,210
Interest paid	**467,690**	614,142	90,265
Interest received	**28,582**	107,529	5,516

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

1. GENERAL INFORMATION

Pearl River Holdings Limited (the “Corporation” or “Pearl River” or “Group”) is a public company listed on the TSX Venture Exchange. Pearl River was incorporated under the Canada Business Corporations Act on December 22, 1994. The address of its registered office and principal place of business is 502, 383 Richmond Street, London, ON, N6A 3C4.

Activities
The main activities of the Group are manufacturing and distribution of plastic products to customers in China, Australia and the United States.

Date of authorization of issue
The financial statements were signed and authorized for issue by the Board of Directors on May 1, 2017.

2. NEW ACCOUNTING STANDARDS AND AMENDMENTS

New Standards and Amendments adopted during 2016:

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.

2. NEW ACCOUNTING STANDARDS AND AMENDMENTS (continued)

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendments permit contributions that are independent of the number of years of service to be recognized as a reduction in the service cost in the period in which the service is rendered instead of allocating the contributions to periods of service.

The adoption of these new standards and amendments effective January 1, 2016 did not have a material impact on the consolidated financial statements.

Future Standards and Amendments not yet adopted:

IFRS 2 – Share-based Payments (Amendments)

These amendments added guidance that introduces accounting requirements for cash-settled share-based payments that follow the same approach as those used for equity-settled share-based payments. The amendments introduced an exception so that a share-based payment where the entity settles the share-based arrangement net is classified as equity-settled in its entirety provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. Additionally, they clarify the accounting treatment in situations where a cash-settled share-based payment changes to an equity-settled share-based payment due to modifications of the terms and conditions. These amendments are effective for reporting periods beginning on or after January 1, 2018.

IAS 7 - Statement of Cash Flows (Amendments and Disclosure Initiative)

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

2. NEW ACCOUNTING STANDARDS AND AMENDMENTS (continued)

Future Standards and Amendments not yet adopted (continued):

IFRS 9 – Financial Instruments

Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortized cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognized in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for de-recognition of financial assets and financial liabilities. This standard is effective for reporting periods commencing on or after January 1, 2018.

IFRS 15 – Revenues from Contracts with Customers

IFRS 15 replaces IAS 11, "Construction Contracts", IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. Disclosure requirements have also been expanded. This standard is effective for reporting periods commencing on or after January 1, 2018.

IAS 12 – Income Taxes (Amendments)

These amendments relate to the recognition of deferred tax assets for unrealized losses. These amendments are effective for reporting periods commencing on or after January 1, 2017.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company is in the process of analyzing the impact of these new standards and amendments but does not believe that they will have a material impact on the financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS)" and IFRIC interpretations ("IFRIC"), as adopted by the International Accounting Standards Board ("IASB") issued and outstanding as of the date the Board of Directors approved the statements. These policies have been consistently applied to all periods presented.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments and share-based payment transactions which are measured at fair value.

(c) 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 RMB5.1813 to CAD $1, based on the exchange rate as of December 31, 2016.

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. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries. Intercompany transactions and balances together with unrealized profits are eliminated in full in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred in which case the loss is recognized in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognized in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognized at acquisition-date fair value. Subsequent adjustments to consideration are recognized against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognized in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Corporation.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

A subsidiary is an entity over which the Corporation is able to exercise control. Control is achieved when the Corporation, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Corporation has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Corporation considers all relevant facts and circumstances, including:

- The size of the Corporation's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Corporation and other parties who hold voting rights;
- Other contractual arrangements; and
- Historical patterns in voting attendance.

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value of 10% over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives for each category of property, plant and equipment are as follows:

Furniture and equipment	3-5 years
Machinery	8-20 years
Motor vehicles	5-10 years
Molds	5 years
Leasehold improvements	Over the lease term

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

4. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(c) **Property, plant and equipment** (continued)

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and its carrying amount, and is recognized in profit or loss on disposal.

(d) **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The total rentals payable under the operating leases are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integrated part of the total rental expense over the term of the lease.

(e) **Financial Instruments**

(i) Financial assets

The Group classifies its financial assets at initial recognition depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Loans and receivables

Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise. Financial instruments classified as loans and receivables consist of cash and cash equivalents, accounts receivable and other receivables.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset recorded subsequent to initial recognition at cost or amortized cost is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(iii) Financial Liabilities

The Group has one category of financial liabilities which is other liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method with interest expense recognized on an effective yield basis. Financial instruments classified as other liabilities are bank overdraft, accounts payable and accrued liabilities, bank borrowings and deferred liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognizes a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for de-recognition in accordance with IAS 39.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, direct labor, manufacturing overhead and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Accounts receivable

Accounts receivable consists of trade receivables and is initially stated at fair value. Subsequent measurement is at amortized cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when it is more likely than not that the Group will not be able to collect the amounts receivable. The provision for impairment of trade receivables is based on the trade receivable portfolio experience of the various subsidiaries as well as on individual assessments of expected non-recoverable receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy or financial reorganization and serious default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance. Losses are charged to general and administrative expenses. The impaired trade receivables are provided for excluding recoverable value-added taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Accounts payable and accruals

Trade and other payables are initially stated at fair value. Subsequent measurement is at amortized cost using the effective interest method.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, as well as demand deposits, and other short-term highly liquid investments with original maturities of three months or less. There are no cash equivalents as at December 31, 2016 and 2015.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and excluded value added tax or other sales related taxes.

(i) Revenue from sale of goods is recognized upon transfer to the customers of the significant risks and rewards of ownership of the goods which occurs when persuasive evidence of an arrangement exists, delivery has occurred under the terms of the arrangement, the price is fixed or determinable and collectability is reasonably assured.

(ii) Revenue from service fees is recognized upon the rendering of the agreed services provided an arrangement for the services exists and the price of the service is determinable and collection is reasonably assured.

(iii) Rental income from operating leases is recognized in equal installments over the accounting periods covered by the lease term and is included in other income.

(iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method and is included in other income.

(k) Expenses

Cost of goods sold comprises expenses directly attributable to revenue. These costs mainly include expenses related to manufacturing employees, such as wages, salaries and social charges, raw materials consumed, utilities and overhead costs, and depreciation related to production machinery.

Operating expenses are classified based on the functional model and are recognized in the year to which they relate.

Selling expenses comprise freight and transportation costs, personnel and accommodation expenses in relation to operational activities at the factory and branch location, advertising and marketing and other selling expenses.

General and administrative expenses comprise personnel and accommodation expenses in relation to the activities at the various offices, insurance, occupancy costs and other general and administrative expenses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Finance costs

Finance costs comprise interest expenses and bank charges, as well as items similar to interest, exchange differences on cash, cash equivalents and borrowings. Interest expenses are recognized on a time-proportion basis in the income statement, using the effective interest method.

(m) Income taxes, deferred tax assets and liabilities

Income taxes for the year comprise current taxes and the realization of deferred taxes. Income taxes are recognized in profit or loss, except for taxes that relate to items recognized in other comprehensive income; these taxes are also directly recognized in other comprehensive income.

Current taxes on income are the sum of taxes levied on the results before taxes, in the countries where those results were generated, based on local tax regulations and against tax rates of the applicable year. Tax-exempt income and expenses not deductible for tax purposes are taken into account in calculating taxes on income.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognized assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realized based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Segment reporting

Segments are geographical areas and are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Executive Board of the Group that makes strategic decisions.

The information with regard to these geographical areas is included in the various notes of these financial statements.

As the Group manufactures and sells in one distinct category, being plastic products, there is only one category to report revenues by geographical area.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group, in Renminbi, at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which case, the rates approximating to those in effect when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate at the end of the reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity as accumulated other comprehensive income (loss) and attributed to non-controlling interests as appropriate. Exchange differences recognized in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as accumulated other comprehensive income (loss).

(p) Government grants

Government grants are recognized when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(q) Borrowings

Borrowings are initially recognized at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost. Any difference between the proceeds and redemption value is recognized in finance costs over the period of the borrowings using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employees' benefits

(i) Short-term benefits

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of each reporting period.

(ii) Pension obligations

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Schemes Ordinance. Contributions paid and payable by the Group to the scheme are charged to the profit or loss as incurred.

For employees in the People's Republic of China (the "PRC"), the Group contributes to state-sponsored retirement plans. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(s) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) Has control or joint control over the Group;
- (ii) Has significant influence over the Group; or
- (iii) Is a member of key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply: (continued)

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

5. CONSOLIDATED CASH FLOWS

The statement of cash flows has been prepared applying the indirect method. Cash in the statement of cash flows comprises cash and cash equivalents as well as current borrowings because current borrowings form an integral part of the Group's cash management. Cash flows in foreign currencies have been translated at average exchange rates. Exchange differences concerning cash items are shown separately in the statement of cash flows.

The purchase price of acquisitions paid, as well as the selling price of disposed subsidiaries received, is included in cash flow from investing activities. This purchase price paid, as well as the selling price received, is included in the statement of cash flows net of cash acquired or disposed of, respectively.

Changes in assets and liabilities resulting from the acquisition and disposal of subsidiaries are taken into account in the calculation of the consolidated cash flows.

6. 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 Corporation's and the Group's assets and liabilities within the next financial year are discussed below.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment. Management will increase the depreciation charges where useful lives are less than previously estimated. It will impair technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

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/reversed in the period in which the estimate has been changed.

(Presented in Chinese Yuan Renminbi)

6. 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 debts and other receivables. The identification of doubtful debts requires 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 trade debts and other receivables and doubtful debt expense/recovery in the period in which the estimate has been changed.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide deferred tax asset on, amongst other items, operating tax losses carried forward. The Group recognizes deferred tax assets on tax losses carried forward based on their best estimates. When the actual results are different from the amounts that were initially estimated, such differences will impact the income tax in the income statement and the deferred tax assets and/or deferred tax liabilities in the period in which these deviations occur. The Group has also identified a number of uncertain tax positions which could lead to positive and/or negative differences as well. For the sensitivity of assumptions in the determination of deferred taxes, refer to Note 20.

7. SALES

Sales represent the invoiced value of goods sold less discounts and returns.

8. COST OF GOODS SOLD

Cost of goods sold is comprised of the following:

	2016 RMB	2015 RMB
Inventory, beginning of year	28,301,047	29,943,745
Purchases of raw materials and finished goods	149,229,187	161,388,992
Manufacturing costs	13,488,423	11,935,906
Direct labor	8,379,862	7,760,911
Depreciation	3,843,332	3,935,558
Exchange realignment	520,150	366,010
Inventory, end of year	(28,210,391)	(28,301,047)
	175,551,610	187,030,075

(Presented in Chinese Yuan Renminbi)

9. 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 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:

	2016 RMB	2015 RMB
Revenue from external customers		
The PRC	160,926,241	177,305,919
Australia	58,023,519	51,110,240
USA	13,887,142	14,565,324
	232,836,902	242,981,483
Segment assets		
The PRC	101,606,667	102,713,330
Hong Kong	13,602,408	11,583,746
Australia	12,873,607	14,837,862
USA	1,042,104	3,436,607
Canada	132,242	101,764
	129,257,028	132,673,309

In fiscal 2016, revenues from one customer amounted to RMB32,154,363 (2015 – RMB 31,118,370), which represents more than 10% of the consolidated revenues.

10. OTHER INCOME

	2016 RMB	2015 RMB
Scrap sales	286,379	125,800
Sundry income	84,992	176,547
Government subsidy	30,000	-
Bank deposit interest income	28,582	107,529
Rental income	20,583	19,314
Gain (loss) on disposal of property, plant and equipment	(143,269)	6,309
	307,267	435,499

(Presented in Chinese Yuan Renminbi)

11. FINANCIAL EXPENSES

	2016 RMB	2015 RMB
Interest expense on bank borrowings	467,690	614,142

12. INCOME TAX

The Corporation is subject to income taxes in Canada, while the subsidiaries in China are subject to the income tax laws of the People's Republic of China. Guangzhou Rodman Plastics subsidiary is a Sino-foreign joint venture which operates in the Pearl River region of China and is subject to corporate income taxes at a rate of 25% (2015 – 25%), except GRPC which is taxed at a rate of 15% (2015 - 25%). During the year, GRPC applied for and received the status of a "High Technology" company that entitles the entity to a 15% tax rate for three years (2016 – 2018). The Hong Kong subsidiaries are subject to a corporate income tax rate of 16.5% (2015 - 16.5%) and to date have not been taxable.

Income tax expense differs from the amount that would result from applying Canada federal and provincial income tax rates to earnings before income taxes. The difference is reconciled as follows:

	2016 RMB	2015 RMB
Earnings before income taxes	10,192,924	8,073,438
Canadian federal and provincial income tax rates	26.50%	26.50%
Expected income tax expense	2,701,130	2,139,464
Adjustments:		
Lower statutory tax rates on earnings of foreign subsidiaries	(958,000)	(554,000)
GRPC tax exemption	(605,000)	-
Non-deductible expenses	1,033,000	687,000
Effect of tax exemption on earnings of foreign subsidiaries	(1,843,000)	(1,717,000)
Withholding taxes on earnings of foreign subsidiary	350,000	724,000
Other	48,318	177,169
Non-recognition of deferred tax assets	375,000	366,000
Income tax expense	1,101,448	1,822,633

(Presented in Chinese Yuan Renminbi)

12. INCOME TAX (continued)

The components of the provision for income taxes for the years ended December 31, 2014 and 2013 are as follows:

	2016	2015
Current expense	1,114,128	1,700,304
Deferred expense (recovery) (Note 20)	(12,680)	122,329
Total income taxes	1,101,448	1,822,633

Provision for income tax is calculated based on the estimated assessable profits for the year determined in accordance with the relevant tax rules and regulations applicable in the PRC. The Guangzhou Rodman Plastics subsidiary is subject to the new PRC enterprise income tax rate of 25% on the assessable profit for the year.

The components of deferred income tax assets in Canada for which no benefit has been recognized are as follows:

	2016 RMB	2015 RMB
Deferred income tax asset		
Non-capital losses carryforwards	2,436,000	2,203,000
Non-recognition of deferred tax benefits	(2,436,000)	(2,203,000)
Net deferred income tax asset	-	-

The financial statements do not reflect potential tax reductions available in Canada through the application of prior years' losses against future years' earnings otherwise subject to Canadian income taxes. These losses, if unutilized, expire as follows:

	RMB
2026	869,000
2027	577,000
2028	623,000
2029	669,000
2030	949,000
2031	943,000
2032	874,000
2033	1,006,000
2034	885,000
2035	921,000
2036	878,000
	9,194,000

The Corporation’s tax filings are subject to the review and assessment of the relevant tax authorities.

(Presented in Chinese Yuan Renminbi)

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture And Equipment RMB	Machinery RMB	Motor vehicles RMB	Moulds RMB	Leasehold improvements RMB	Total RMB
Cost:						
At January 1, 2015	3,323,623	36,291,266	3,354,839	31,436,056	9,949,928	84,355,712
Additions	351,487	3,322,382	-	4,008,218	436,163	8,118,250
Disposals	-	-	(95,413)	(76,923)	-	(172,336)
Exchange realignment	44,485	-	12,421	615,531	18,521	690,958
At December 31, 2015	3,719,595	39,613,648	3,271,847	35,982,882	10,404,612	92,992,584
Additions	304,887	4,810,836	-	1,301,738	870,015	7,287,476
Disposals	(643,827)	(698,375)	(258,179)	(654,095)	-	(2,254,476)
Exchange realignment	59,411	-	35,265	858,325	23,257	976,258
At December 31, 2016	3,440,066	43,726,109	3,048,933	37,488,850	11,297,884	99,001,842
Accumulated amortisation:						
At January 1, 2015	1,960,901	19,466,119	2,357,577	21,313,612	2,146,920	47,245,129
Charge for the year	379,467	2,599,946	155,989	2,206,766	786,459	6,128,627
Written back on disposal	-	-	(85,872)	(76,923)	-	(162,795)
Exchange realignment	37,916	-	14,260	267,206	18,521	337,903
At December 31, 2015	2,378,284	22,066,065	2,441,954	23,710,661	2,951,900	53,548,864
Charge for the year	446,147	3,197,755	124,840	2,075,114	881,828	6,725,684
Written back on disposal	(601,525)	(619,685)	(232,362)	(654,095)	-	(2,107,667)
Exchange realignment	51,398	-	35,265	448,684	23,257	558,604
At December 31, 2016	2,274,304	24,644,135	2,369,697	25,580,364	3,856,985	58,725,485
Carrying value:						
At December 31, 2016	1,165,762	19,081,974	679,236	11,908,486	7,440,899	40,276,357
At December 31, 2015	1,341,311	17,547,583	829,893	12,272,221	7,452,712	39,443,720

(Presented in Chinese Yuan Renminbi)

14. CHINESE-FOREIGN JOINT VENTURE

The Corporation has a 64% equity interest in Guangzhou Rodman Plastics Company Limited ("GRPC"), which was established in the PRC. Pursuant to the Chinese-Foreign Joint Venture Agreement dated on January 23, 1995, the Corporation's subsidiary, Rodman Enterprises Limited ("REL") and Guangzhou Plastics Industrial Joint Stock Company Limited ("PRC Party") undertake the economic activities of GRPC which were subject to joint control and none of the participating parties had unilateral control over the economic activities up until January 1, 2012. Pursuant to the Supplementary Agreement to the Chinese-Foreign Joint Venture Agreement entered into between REL and PRC Party on January 1, 2012, REL has the power to govern the financial and operating policies of GRPC so as to obtain benefits from its activities. On that date, the status of GRPC was changed from a jointly controlled entity to a subsidiary of the Group. There is no change in ownership interests as a result of the agreement.

15. INVENTORIES

The components of inventories are as follows:

	2016 RMB	2015 RMB
Raw materials	15,160,979	15,560,318
Work in progress	3,142,497	1,291,073
Finished goods	11,003,007	12,471,111
	29,306,483	29,322,502
Less: Allowance for inventories	(1,096,092)	(1,021,455)
	28,210,391	28,301,047

Inventories charged to operations and included in cost of goods sold for the year ended December 31, 2015 is RMB149,229,187(2015 – RMB161,388,992). The carrying value of inventory is net of an allowance for slow moving inventories of RMB1,096,092 (2015 - RMB1,021,455).

16. ACCOUNTS RECEIVABLE

	2016 RMB	2015 RMB
Accounts receivable	32,667,535	38,768,813
Less: Allowance for doubtful debts	(4,152,612)	(2,919,785)
	28,514,923	35,849,028

a. The average credit period to the Group's trade debtors is 30 days.

(Presented in Chinese Yuan Renminbi)

16. ACCOUNTS RECEIVABLE (continued)

b. The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 RMB	2015 RMB
At beginning of year	2,919,785	2,611,290
Recognised of impairment loss	1,155,648	289,429
Exchange realignment	77,179	19,066
At end of year	4,152,612	2,919,785

This provision has been determined by reference to past default experience.

c. Accounts receivable, which are not individually nor collectively considered to be impaired, are aged less than 1 year.

Receivables that were past due but not impaired relate to a number of independent customers that have a strong track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

17. ACCOUNTS PAYABLE

	2016 RMB	2015 RMB
Accounts payable	12,457,160	14,368,725
Others	2,790,954	8,598,624
Accrued expenses	3,968,535	3,980,233
Receipt in advance	1,958,981	5,120,870
VAT payable	60,633	464,035
	21,236,263	32,532,487

18. BANK BORROWINGS

	2016 RMB	2015 RMB
Interest bearing and secured, denominated in:		
Hong Kong dollars (i)	562,565	1,384,681
Renminbi (ii)	8,000,000	8,000,000
Shown under current-liabilities	8,562,565	9,384,681

(Presented in Chinese Yuan Renminbi)

18. BANK BORROWINGS (continued)

At 31 December 2016, the Group has four principal bank loans:

(i) The loan of HK$3,000,000 (equivalent to RMB2,686,439) was raised on July 28, 2014. Repayments commenced on July 28, 2014 and will continue until July 28, 2017. It was guaranteed by Mr Rodney Bell and Mr Andrew Paul, the directors of the Company. The loan carries a flat interest rate at 6.25% per annum.

(ii) Three loans in total of RMB8,000,000 were raised on July 12, 2016, July 21, 2016 and July 27, 2016, respectively. They are secured by a charge over certain of the Group's property and equipment with carrying amount of RMB8,226,313. The loans carry a fixed interest rate at 5% per annum.

	2016 RMB	2015 RMB
Bank loans due for repayment:		
- within one year	8,562,565	8,858,497
- after one year but contain a repayment on demand clause	-	526,184
Shown under current-liabilities	8,562,565	9,384,681

At December 31, 2016, the current liabilities included bank loans of nil (2015 - RMB526,184) that were not scheduled to be repaid within one year. They were classified as current liabilities as the related loan agreements contained a clause that provided the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due for repayment after one year which contained a repayment on demand clause and that was classified as a current liability is expected to be settled within one year.

19. DEFERRED LIABILITIES

	2016 RMB	2015 RMB
Balance, beginning of year	4,998,497	5,001,515
Utilisation during the year	(144,920)	(3,018)
Balance, end of year	4,853,577	4,998,497

Deferred liabilities represent undistributed profits attributable to the PRC Party relating to the period prior to the formation of Guangzhou Rodman Plastics Company Limited ("GRPC").

The amount is repayable by GRPC to the PRC Party when employees joining prior to the formation of GRPC retire. On termination or liquidation of GRPC, the remaining balance is repayable to the PRC Party in full in priority to any distribution of net assets to the foreign equity holder of GRPC.

(Presented in Chinese Yuan Renminbi)

20. DEFERRED TAX

	Withholding tax on dividends RMB	Deductible temporary differences RMB	Total RMB
At January 1, 2015	143,537	(91,959)	51,578
Charge to profit or loss for the year (Note 12)	112,385	9,944	122,329
Exchange realignment	12,945	-	12,945
At December 31, 2015	268,867	(82,015)	186,852
Credit to profit or loss for the year (Note 12)	(54,602)	41,922	(12,680)
At December 31, 2016	214,265	(40,093)	174,172

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by this subsidiary established in Mainland China in respect of earnings generated from January 1, 2008. As at December 31, 2016, the Group recognised deferred tax liabilities of RMB214,265 (2015: RMB268,867) in respect of temporary differences relating to the unremitted profits of a subsidiary amounting to RMB6,695,776 (2015: RMB8,402,104), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of this subsidiary and it is probable that these profits will be distributed in the foreseeable future.

Deferred tax asset is calculated in full on deductible temporary differences under the liability method using a taxation rate of 25%.

For the purpose of presentation in the statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the net deferred tax liabilities for financial reporting purposes:

	2016 RMB	2015 RMB
Deferred tax assets	(40,093)	(82,015)
Deferred tax liabilities	214,265	268,867
	174,172	186,852

(Presented in Chinese Yuan Renminbi)

21. INTERESTS IN SUBSIDIARIES

Particulars of the subsidiaries, of which all are limited liability companies, as at December 31, 2016 are as follows:

Name of company	Country of incorporation and operation	Functional currency	Percentage of ordinary shares held by the Corporation		Principal activity
			Directly	Indirectly	
Pearl River Plastics Limited (“PRPL”)	BVI	HK Dollars	100%	-	Investment holding
Rodman Plastics Company Limited	Hong Kong	HK Dollars	-	100%	Investment holding
Rodman Enterprises Limited (“REL”)	Hong Kong	HK Dollars	-	100%	Trading in plastic products
Rodman Enterprises Limited USA (“RELUSA”)	United States	US Dollars	-	100%	Trading in plastic products
Red Door Enterprises Limited (“RDE”)	BVI	HK Dollars	-	72.5%	Trading in plastic products
Red Door China Pty Limited (“RDC”)	Australia	AUS Dollars	-	72.5%	Trading in plastic products
Guangzhou Rodman Plastics Company Limited (“GRPC”)	Peoples Republic of China	RMB	-	64% (note 14)	Manufacturing of plastic products

22. SHARE CAPITAL

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:

	December 31, 2016		December 31, 2015	
	Number of common shares	**Amount RMB**	Number of common shares	Amount RMB
Balance, beginning of and end of year	27,309,927	52,242,949	27,309,927	52,242,949

c) Weighted average number of shares:

The basic and diluted weighted average number of shares outstanding for the years ended December 31, 2016 and 2015 is 27,309,927.

(Presented in Chinese Yuan Renminbi)

22. SHARE CAPITAL (continued)

d) Stock options

Under the Corporation'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 five 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.

The Corporation did not have any stock options outstanding or stock option transactions during the years ending December 31, 2016 and 2015.

23. DEFICIT

Pursuant to People's Republic of China ("PRC") regulations, the Corporation is required to make appropriations to reserve funds, based on 10% of after tax net income determined in accordance with generally accepted accounting principles of the People's Republic of China (the "PRC GAAP") until such time as the reserve fund reaches 50% of the registered capital of the jointly controlled entity. According to the relevant PRC regulations, the reserve fund can be used to make up losses or to increase share capital. Except for the reduction of losses incurred, other usage should not result in the reserve fund falling below 25% of the registered capital of the jointly controlled entity. The reserve funds are established for covering corporate obligations in the event of business liquidation. The reserve funds are recorded as part of deficit but are not available for distribution to shareholders other than in liquidation and may limit repatriation of invested capital.

The following is the summary of the reserve funds under PRC regulations recorded as part of the consolidated deficit as at December 31, 2016 and 2015:

	2016	2015
	RMB	RMB
Balance, beginning of year	7,665,452	7,320,229
Transfer from net earnings for the year	294,895	345,223
Balance, end of year	7,960,347	7,665,452

(Presented in Chinese Yuan Renminbi)

24. NON-CONTROLLING INTEREST

RDE, a 72.5% owned subsidiary and GRPC, a 64% owned subsidiary of the Company, have material non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of RDE, before intra-group eliminations, is presented below:

	2016 **RMB**	2015 RMB
For the year ended December 31,		
Revenue	58,023,519	51,110,240
Profit for the year	4,493,179	811,172
Total comprehensive income	5,863,704	2,449,989
Profit allocated to NCI	1,235,624	223,072
Dividend paid to NCI	-	-
For the year ended December 31,		
Cash flows from operating activities	794,160	1,333,597
Cash flows from investing activities	(300,179)	(1,521,123)
Cash flows from financing activities	-	(19,726)
Net cash inflow/(outflow)	493,981	(207,252)
As at December 31,		
Current assets	25,655,269	29,417,707
Non-current assets	4,012,879	4,807,969
Current liabilities	(8,955,023)	(19,376,255)
Net assets	20,713,125	14,849,421
Accumulated non-controlling interests	5,696,109	4,083,591

(Presented in Chinese Yuan Renminbi)

24. NON-CONTROLLING INTEREST (CONTINUED)

Summarised financial information in relation to the NCI of GRPC, before intra-group eliminations, is presented below:

	2016 RMB	2015 RMB
For the year ended December 31,		
Revenue	203,969,812	212,539,932
Profit for the year	4,938,938	3,502,436
Total comprehensive income	4,938,938	3,502,436
Profit allocated to NCI	1,778,018	1,260,877
Dividend paid to NCI	1,620,000	-
For the year ended December 31,		
Cash flows from operating activities	7,813,929	10,879,838
Cash flows from investing activities	(6,955,175)	(4,391,018)
Net cash inflow	858,754	6,488,820
As at December 31,		
Current assets	65,681,544	76,929,925
Non-current assets	35,819,638	34,254,073
Current liabilities	(26,187,657)	(36,164,491)
Non-current liabilities	(4,853,577)	(4,998,497)
Net assets	70,459,948	70,021,010
Accumulated non-controlling interests	25,365,582	25,207,564

(Presented in Chinese Yuan Renminbi)

25. COMMITMENTS

At December 31, 2016, the Group had outstanding minimum commitments under non-cancellable operating leases requiring payments as follows:

	2016	2015
	RMB	RMB
Within one year	6,822,668	6,291,932
After one year but within five years	21,286,563	20,953,496
After five years	20,296,807	25,392,007
	48,406,038	52,637,435

26. RELATED PARTY TRANSACTIONS

Transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, 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 end 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:

	2016	2015
	RMB	RMB
Purchase of raw materials	21,553,499	26,636,944
Royalty expenses	135,849	216,000

b. Included in accounts payable and accruals, RMB1,634,471 (2015: RMB6,509,071) was owing to Guangzhou Plastics Industrial Joint Stock Company Limited, the non-controlling interest of GPRC.

The balance is unsecured, interest free and has no fixed repayment terms. No guarantees have been given or received.

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

	2016	2015
	RMB	RMB
Administrative fees incurred with a Corporation controlled by a director of the Corporation	179,866	150,435

Included in accounts payable and accrued liabilities in respect to administrative fees incurred is RMB98,395 at December 31, 2016 (2015 – RMB32,848).

(Presented in Chinese Yuan Renminbi)

26. RELATED PARTY TRANSACTIONS (continued)

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

	2016 RMB	2015 RMB
Salaries and benefits	2,444,047	2,154,873

27. 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.

The capital structure of the Group consists of equity attributable to common shareholders of the Corporation.

28. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	2016 RMB	2015 RMB
Prepaid and deferred expenses	2,777,947	3,953,988
Other receivables	3,356,701	2,581,267
	6,134,648	6,535,255

29. 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 its accounts and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of

(Presented in Chinese Yuan Renminbi)

30. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

making payments when due and the 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 all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a concentration of credit risk as 29% (2015: 30%) of the trade receivables were due from the Group's largest customer.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts and other receivables are set out in Note 16.

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 non-derivative financial liabilities, which are based on contractual undiscounted cash flows including interest payments computed using contractual rates and the earliest date the Group can be required to pay:

All values are in RMB.

The Group	Carrying amount	Total contractual cash flow	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years
2016						
Accounts payable and accruals	21,236,263	21,236,263	-	21,236,263	-	-
Bank borrowings	8,562,565	8,816,463	-	8,816,463	-	-
Deferred liabilities	4,853,577	4,853,577	4,853,577	-	-	-
	34,652,405	34,906,303	4,853,577	30,052,726	-	-
2015						
Accounts payable and accruals	32,532,487	32,532,487	-	32,532,487	-	-
Bank borrowings	9,384,681	9,541,614	526,184	9,015,430	-	-
Deferred liabilities	4,998,497	4,998,497	4,998,497	-	-	-
	46,915,665	47,072,598	5,524,681	41,547,917	-	-

(Presented in Chinese Yuan Renminbi)

30. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table that follows summarizes the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table. Taking into account the group's financial position, management does not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. Management believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Bank loans subject to a repayment on demand clause are disclosed based on the scheduled repayment terms.

The Group	Carrying amount	Total contractual cash flow	On demand	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years
December 31, 2016	8,562,565	8,816,463	-	8,816,463	-	-
December 31, 2015	9,384,681	9,541,614	526,184	9,015,430	-	-

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 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 18. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

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 majority of the operations and customers of the Group's subsidiaries are located in the PRC with most of the operating assets and transactions denominated and settled in Renminbi, which is the functional currency of the majority of the Group's subsidiaries. The entity does not have significant financial assets and liabilities or transactions denominated in currencies that are not the functional currency of the entity's to which they relate. As a result, the Group does not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Price risk

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

(Presented in Chinese Yuan Renminbi)

30. FINANCIAL RISK MANAGEMENT (continued)

Fair values

All financial instruments are carried at amounts not materially different from their fair values as at December 31, 2016 and 2015.

31. 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, 2016 and 2015 are categorized as follows:

	2016 RMB	2015 RMB
Financial assets		
Loans and receivables (including cash at banks and in hand)	56,369,786	59,125,229
Financial liabilities		
Financial liabilities measured at amortised cost	32,693,424	41,794,795