

Pearl River Holdings Limited

Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2017

(Unaudited - Prepared by Management)

(Presented in Chinese Yuan Renminbi)

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Notice of No Auditor Review of Interim Financial Statements

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

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

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

George Lunick
President and Chief Executive Officer

Anne Dang
Chief Financial Officer

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Financial Position

	March 31 2017 (RMB) (Unaudited)	December 31 2016 (RMB) (Audited)	March 31 2017 (CAD) (Unaudited)	December 31 2016 CAD (Audited)
Assets				
Current assets				
Cash and cash equivalents	20,018,750	24,498,162	3,873,222	4,728,188
Accounts receivable	25,595,585	28,514,923	4,952,227	5,503,430
Other receivables, deposits and prepaid expenses	1,375,065	6,134,648	266,047	1,183,998
Income taxes recoverable		277,227	-	53,505
Inventories	31,297,911	28,210,391	6,055,511	5,444,655
	<u>78,287,311</u>	<u>87,635,351</u>	<u>15,147,007</u>	<u>16,913,776</u>
Non-current assets				
Property, plant and equipment	38,748,835	40,276,357	7,497,114	7,773,408
Deposit	4,673,224	1,345,320	904,174	259,649
	<u>43,422,059</u>	<u>41,621,677</u>	<u>8,401,288</u>	<u>8,033,057</u>
Total assets	<u>121,709,370</u>	<u>129,257,028</u>	<u>23,548,295</u>	<u>24,946,833</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	15,151,306	21,236,263	2,931,471	4,098,635
Current portion of bank borrowings	8,325,129	8,562,565	1,610,744	1,652,590
Taxes payable	133,085	-	25,749	-
	<u>23,609,520</u>	<u>29,798,828</u>	<u>4,567,964</u>	<u>5,751,225</u>
Non-current liabilities				
Deferred liability	4,751,242	4,853,577	919,269	936,749
Deferred tax	-	174,172	-	33,616
	<u>4,751,242</u>	<u>5,027,749</u>	<u>919,269</u>	<u>970,365</u>
Total Liabilities	<u>28,360,762</u>	<u>34,826,577</u>	<u>5,487,233</u>	<u>6,721,590</u>
Equity				
Share capital	52,242,949	52,242,949	10,107,952	10,082,981
Contributed surplus	1,557,622	1,557,622	301,368	300,624
Accumulated other comprehensive income	3,213,887	4,477,062	621,820	864,081
Deficit	5,145,521	5,091,127	995,554	982,596
Total equity attributable to common shareholders	<u>62,159,979</u>	<u>63,368,760</u>	<u>12,026,694</u>	<u>12,230,282</u>
Non-controlling interest	<u>31,188,629</u>	<u>31,061,691</u>	<u>6,034,368</u>	<u>5,994,961</u>
Total equity	<u>93,348,608</u>	<u>94,430,451</u>	<u>18,061,062</u>	<u>18,225,243</u>
Total liabilities and equity	<u>121,709,370</u>	<u>129,257,028</u>	<u>23,548,295</u>	<u>24,946,833</u>

Commitments (Note 4)

Approved by the Board:

(Signed) "George Lunick", Director

(Signed) "Jorge Enrique Autrique Ruix", Director

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

Pearl River Holdings Limited

Condensed Interim Consolidated Statements of Operations
(Unaudited)

	For the three months ended		
	March 31		
	2017	2016	2017
	RMB	RMB	CAD
Revenue	65,865,925	54,456,363	12,630,575
Cost of Goods Sold	54,331,455	42,012,375	10,418,703
Gross Profit	11,534,470	12,443,988	2,211,872
Expenses			
General and Administrative	6,275,286	6,804,228	1,203,361
Selling	4,160,244	4,018,194	797,776
Interest on long term debt	119,598	207,789	22,934
Depreciation	746,553	684,068	143,160
	11,301,681	11,714,279	2,167,231
Earnings before income taxes	232,789	729,709	44,641
Corporate Income Tax	(51,457)	(165,223)	(9,867)
Net income for the period	181,332	564,486	34,774
Net income (loss) attributable to:			
Common shareholders	54,394	324,139	10,431
Non-controlling interest	126,938	240,347	24,343
	181,332	564,486	34,774
Earnings per share attributable to common shareholders:			
Basic	0.0020	0.0119	0.0004
Fully diluted	0.0020	0.0119	0.0004

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

Pearl River Holdings Limited

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

	For the three months ended		
	March 31		
	2017	2016	2017
	RMB	RMB	CAD
Net income for the period	181,332	564,486	34,774
Other comprehensive loss:			
Exchange difference on translation of foreign operations	<u>(1,263,175)</u>	<u>(93,392)</u>	<u>(242,239)</u>
Comprehensive income (loss)	<u><u>(1,081,843)</u></u>	<u><u>471,094</u></u>	<u><u>(207,465)</u></u>
Comprehensive income (loss) attributable to:			
Common shareholders	(1,208,781)	230,747	(231,808)
Non-controlling interest	<u>126,938</u>	<u>240,347</u>	<u>24,343</u>
	<u><u>(1,081,843)</u></u>	<u><u>471,094</u></u>	<u><u>(207,465)</u></u>

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

Pearl River Holdings Limited

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended		
		March 31	
	2017	2016	2017
	RMB	RMB	CAD
Cash flows provided by (used for):			
Operating activities			
Net income for the period	181,332	564,486	34,774
Add items not requiring cash			
Depreciation	1,934,327	1,717,993	370,930
	<u>2,115,659</u>	<u>2,282,479</u>	<u>405,704</u>
Changes in non-cash working capital balances			
Accounts receivable	2,919,338	19,213,254	551,203
Inventories	(3,087,520)	2,969,115	(610,856)
Other receivables, deposits and prepaid expenses	4,759,583	(3,388,729)	917,951
Deposit	(3,327,904)	(882,000)	(644,525)
Accounts payable and accrued liabilities	(6,084,957)	(13,101,304)	(1,167,164)
Taxes	410,312	247,438	79,254
Deferred liabilities	(102,335)	(72,520)	(17,480)
Deferred taxes	(174,172)	(186,852)	(33,616)
	<u>(4,687,655)</u>	<u>4,798,402</u>	<u>(925,233)</u>
Cash flows from operating activities	<u>(2,571,996)</u>	<u>7,080,881</u>	<u>(519,529)</u>
Investing activities			
Acquisition of capital assets	(166,971)	(1,562,160)	(32,019)
	<u>(166,971)</u>	<u>(1,562,160)</u>	<u>(32,019)</u>
Cash Flows from investing activities			
Financing activities			
Change in bank borrowings	(237,436)	(214,121)	(41,846)
Change in non-controlling interests	126,938	240,347	39,407
	<u>(110,498)</u>	<u>26,226</u>	<u>(2,439)</u>
Cash Flows from financing activities			
Increase (decrease) in cash during period	(2,849,465)	5,544,947	(553,987)
Effect of exchange rate differences on cash	(1,629,947)	(302,047)	(300,979)
Cash and cash equivalents - beginning of period	24,498,162	20,694,939	4,728,188
Cash and cash equivalents - end of period	<u>20,018,750</u>	<u>25,937,839</u>	<u>3,873,222</u>
Supplemental cash flow information:			
Income Taxes paid			
Foreign value added tax, net	108,797	619,735	21,714

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

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Changes in Equity
(Unaudited)

	Attributable to common shareholders							Total equity RMB
	Share capital Shares	Amount RMB	Contributed Surplus RMB	Accumulated other comprehensive income (loss) RMB	Deficit RMB	Total RMB	Non- controlling interests RMB	
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)	-	-	-	(93,392)	(93,392)	(93,392)	-	(93,392)
Currency translation adjustment	-	-	-	-	-	-	-	-
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
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
Net income	-	-	-	-	54,394	54,394	126,938	181,332
Other comprehensive income (loss):	-	-	-	(1,263,175)	(1,263,175)	(1,263,175)	-	(1,263,175)
Currency translation adjustment	-	-	-	-	-	-	-	-
Balance, March 31, 2017	27,309,927	52,242,949	1,557,622	3,213,887	5,145,521	62,159,979	31,188,629	93,348,608

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

Condensed Notes to the Interim Consolidated Financial Statements
Three months ended March 31, 2017
(Unaudited)

1. Nature of Operations

Pearl River Holdings Limited (the "Corporation" or "Pearl River"), is incorporated under the Canada Business Corporations Act, and through its subsidiaries, Pearl River Plastics, Rodman Plastics, Rodman Enterprises, Red Door Enterprises, Red Door China and Guangzhou Rodman Plastics, and primarily operates in China and Australia. Its principal business activities are the manufacturing and distribution of plastic products to customers in China, Australia and the United States of America.

2. New accounting standards and amendments

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

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.

IAS 12 – Income Taxes (Amendments)

These amendments relate to the recognition of deferred tax assets for unrealized losses.

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.

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 derecognition 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.

Condensed Notes to the Interim Consolidated Financial Statements
 Three months ended March 31, 2017
 (Unaudited)

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, 2016. 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, 2016, 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 26, 2017.

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 5.1685 to CAD \$1, based on the exchange rate as of March 31, 2017.

The financial statements are translated into Canadian dollars using a convenience translation at the rate of RMB 5.2148 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. 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 6,822,668
After one year but within five years	21,286,563
After five years	20,296,807

Condensed Notes to the Interim Consolidated Financial Statements
 Three months ended March 31, 2017
 (Unaudited)

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:

	2017	2016
<u>PRC partner of the Jointly Controlled Entity</u>		
Purchase of raw materials	RMB 3,070,832	RMB 3,926,145
Sale of finished goods	368	-
Trademark paid	36,000	36,000

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

	2017	2016
Administrative fees incurred with a Corporation controlled by a director of the Corporation	RMB 9,387	RMB 24,004

The entire amount is included in accounts payable and accrued liabilities at March 31, 2017 (2016: RMB 43,651).

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

	2017	2016
Management salary and benefits	RMB 595,631	RMB 534,391

These transactions have been recorded in the financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Management is of the opinion that these transactions were undertaken under similar terms and conditions as those with non-related parties.

Condensed Notes to the Interim Consolidated Financial Statements
 Three months ended March 31, 2017
 (Unaudited)

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:

	2017 RMB	2016 RMB
<u>Revenue from external customers</u>		
The PRC	47,873,300	38,754,617
Australia	14,349,065	12,435,015
USA	3,643,560	3,266,731
	<u>65,865,925</u>	<u>54,456,363</u>
<u>Segment assets</u>		
The PRC	50,048,379	58,088,212
Australia	12,930,920	8,284,564
USA	2,473,444	2,177,233
Hong Kong	12,584,500	51,144,290
Canada	250,068	152,745
	<u>78,287,311</u>	<u>119,817,044</u>

CORPORATE INFORMATION

DIRECTORS:

Jorge Enrique Autrique Ruix *
James Filer *
George W. Lunick *
Rod Bell

* Members of Audit Committee

OFFICERS:

Jorge Enrique Autrique Ruix
Chairman

George W. Lunick
President
Chief Executive Officer

Anne Dang
Chief Financial Officer

TRANSFER AGENT AND REGISTRAR:

Equity Transfer & Trust Co.
Calgary, Alberta

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Central, Hong Kong

CANADIAN VENTURE EXCHANGE:

(Symbol "PRH")

BANKERS:

Bank of Montreal
London, Ontario

AUDITORS:

Crowe MacKay Chartered Accountants
Calgary, Alberta

SOLICITORS:

DLA Piper (Canada) LLP
Calgary, Alberta