Pearl River Holdings Limited

Interim Condensed Consolidated Financial Statements
For the three months ended March 31, 2023

(Unaudited - Prepared by Management)

(Presented in Chinese Yuan Renminbi)

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Notice of No Auditor Review of Interim Financial Statements

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

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

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

(signed) "George Lunick"

George Lunick
President and Chief Executive Officer

(signed) "Anne Dang"

Anne Dang
Chief Financial Officer

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Financial Position

	March 31 2023 (RMB) *(Unaudited)*	December 31 2022 (RMB) *(Audited)*	March 31 2023 (CAD) (Unaudited)	December 31 2022 CAD (Audited)
Assets				
Current assets				
Cash and cash equivalents	80,095,581	77,628,002	15,805,739	15,238,507
Accounts receivable	32,666,363	44,221,335	6,446,248	8,680,722
Other receivables, deposits and prepaid expenses	2,724,739	5,957,772	537,689	1,169,521
Inventories	36,459,870	35,097,720	7,194,844	6,889,741
	151,946,553	162,904,829	29,984,520	31,978,491
Non-current assets				
Property, plant and equipment	25,110,137	25,924,749	4,955,133	5,089,072
Deferred right of use asset	20,561,481	20,815,914	4,057,520	4,086,199
Deposit	-	852,735	-	167,393
	45,671,618	47,593,398	9,012,653	9,342,664
Total assets	197,618,171	210,498,227	38,997,173	41,321,155
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	25,692,814	27,300,997	5,070,116	5,359,232
Current portion of bank borrowings	1,500,000	5,250,000	296,004	1,030,584
Financial liability at FVTPL (note 8)	757,832	1,515,665	149,548	297,528
Lease liability (note 7)	7,918,932	7,629,203	1,562,690	1,497,625
Taxes payable	1,116,084	1,970,237	220,244	386,761
	36,985,662	43,666,102	7,298,602	8,571,730
Non-current liabilities				
Deferred liability	2,624,028	2,843,506	517,815	558,185
Bank borrowings	18,000,000	19,000,000	3,552,047	3,729,732
Lease liability (note 7)	14,258,776	16,238,001	2,813,769	3,187,547
Financial liability at FVTPL (note 8)	2,408,452	2,408,452	475,274	472,783
Deferred tax	530,828	530,828	104,751	104,202
	37,822,084	41,020,787	7,463,656	8,052,449
Total Liabilities	74,807,746	84,686,889	14,762,258	16,624,179
Equity				
Share capital	52,242,949	52,242,949	10,309,413	10,255,378
Contributed surplus	8,473,772	8,473,772	1,672,180	1,663,416
Accumulated other comprehensive income	5,240,200	5,800,263	1,034,081	1,138,601
Surplus	24,958,909	27,513,968	4,925,290	5,401,038
Total equity attributable to common shareholders	90,915,830	94,030,952	17,940,964	18,458,433
Non-controlling interest	31,894,595	31,780,386	6,293,951	6,238,543
Total equity	122,810,425	125,811,338	24,234,915	24,696,976
Total liabilities and equity	197,618,171	210,498,227	38,997,173	41,321,155

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 2023 RMB	2022 RMB	2023 CAD
Revenue	55,566,533	84,315,585	10,948,638
Cost of Goods Sold	45,004,297	67,394,265	8,867,492
Gross Profit	10,562,236	16,921,320	2,081,146
Expenses			
General and Administrative	7,960,972	9,237,995	1,568,603
Selling	2,030,978	4,363,070	400,177
Finance	191,229	108,199	37,679
Interest on long term debt	376,019	556,815	74,089
Depreciation	416,301	531,354	378,673
Depreciation (ROUA)	1,921,840	1,569,215	82,027
	12,897,339	16,366,648	2,541,248
Earnings before income taxes	(2,335,103)	554,672	(460,102)
Corporate Income Tax	(105,749)	(130,900)	(20,836)
Net income for the period	(2,440,852)	423,772	(480,938)
Net income attributable to:			
Common shareholders	(2,555,061)	351,486	(503,440)
Non-controlling interest	114,209	72,286	22,502
	(2,440,852)	423,772	(480,938)
Earnings per share attributable to common shareholders:			
Basic	(0.0936)	0.0129	(0.0184)
Fully diluted	(0.0851)	0.0117	(0.0168)

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

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

	For the three months ended March 31		
	2023 RMB	2022 RMB	2023 CAD
Net income for the period	(2,440,852)	423,772	(480,938)
Other comprehensive loss:			
Exchange difference on translation of foreign operations	(560,063)	167,874	(110,353)
Comprehensive income (loss)	(3,000,915)	591,646	(591,291)
Comprehensive income (loss) attributable to:			
Common shareholders	(3,115,124)	519,360	(613,794)
Non-controlling interest	114,209	72,286	22,503
	(3,000,915)	591,646	(591,291)

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 2023 RMB	2022 RMB	2023 CAD
Cash flows provided by (used for):			
Operating activities			
Net income for the period	(2,440,852)	423,772	(480,938)
Add items not requiring cash			
Depreciation	1,921,840	1,448,760	379,248
Depreciation (ROUA)	416,301	1,569,215	82,151
	(102,711)	3,441,747	(19,539)
Changes in non-cash working capital balances			
Accounts receivable	11,554,972	(3,368,693)	2,234,474
Right of use asset	254,433	1,828,035	28,679
Inventories	(1,362,150)	(6,961,076)	(305,103)
Other receivables, deposits and prepaid expenses	3,233,033	6,878,259	631,832
Deposit	852,735	(4,137,921)	167,393
Accounts payable and accrued liabilities	(1,608,183)	4,795,535	(289,116)
Lease Liability	289,729	17,530,871	65,065
Financial liability FVTPL	(757,833)	-	(145,489)
Taxes	(854,153)	287,927	(166,517)
Deferred liabilities	(219,478)	934,273	(40,370)
Non current lease liability	(1,979,225)	(19,017,357)	(373,778)
Deferred taxes	-	(476,686)	549
	9,403,880	(1,706,833)	1,807,619
Cash flows from operating activities	9,301,169	1,734,914	1,788,080
Investing activities			
Acquisition of capital assets	(641,288)	(2,040,541)	(126,549)
Cash Flows from investing activities	(641,288)	(2,040,541)	(126,549)
Financing activities			
Change in bank borrowings	(4,750,000)	1,750,000	(912,265)
Change in non-controlling interests	114,209	72,286	55,408
Dividends paid	-	-	
Transfer to staff welfare reserves	-	-	
Cash Flows from financing activities	(4,635,791)	1,822,286	(856,857)
Increase (decrease) in cash during period	4,024,090	1,516,659	804,674
Effect of exchange rate differences on cash	(4,024,090)	(6,465,748)	(804,674)
Cash and cash equivalents - beginning of period	77,628,002	44,081,769	15,238,507
Cash and cash equivalents - end of period	77,628,002	39,132,680	15,238,507
Supplemental cash flow information:			
Income Taxes paid			
Foreign value added tax, net	50,727	15,877	10,010

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

Pearl River Holdings Limited

Condensed Interim Consolidated Statement of Changes in Equity
(Unaudited)

	Attributable to common shareholders							
	Share capital							
	Shares	Amount	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total	Non-controlling interests	Total equity
		RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance, December 31, 2021	27,309,927	52,242,949	7,155,524	72,884	27,681,442	87,152,799	37,689,798	124,842,597
Net income	-	-	-		351,486	351,486	72,286	423,772
Other comprehensive income (loss)								
Dividends Paid	-	-	-					
Transfer for Staff & Welfare reserve								
Currency translation adjustment				167,874		167,874		167,874
Balance, March 31, 2022	27,309,927	52,242,949	7,155,524	240,758	28,032,928	87,672,159	37,762,084	125,434,243
Balance, December 31, 2022	27,309,927	52,242,949	8,473,772	5,800,263	27,513,968	94,030,952	31,780,386	125,811,338
Net income	-	-	-		(2,555,059)	(2,555,059)	114,209	(2,440,850)
Other comprehensive income:						-		
Currency translation adjustment	-	-	-	(560,063)		(560,063)		(560,063)
Balance, March 31, 2023	**27,309,927**	**52,242,949**	**8,473,772**	**5,240,200**	**24,958,909**	**90,915,830**	**31,894,595**	**122,810,425**

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, 2023
(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:

Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to	IFRS 1, IFRS 9, IFRS 16, IAS 41

The adoption of this standard did not have any material impact on the Group's accounting policies.

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, 2022. 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, 2022, 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 29, 2023.

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 5.0675 to CAD $1, based on the exchange rate as of March 31, 2023.

The financial statements are translated into Canadian dollars using a convenience translation at the rate of RMB 5.0942 to CAD $1, based on the exchange rate as of December 31, 2022.

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.

The present value of the future lease payments are analyzed as:

	2023	2022
Current liabilities	**36,985,662**	81,978,277
Non-current liabilities	**37,822,084**	3,396,598
	74,807,746	85,374,875

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:

	2023	2022
PRC partner of the Jointly Controlled Entity		
Purchase of raw materials	**RMB 2,882,977**	RMB 8,019,888
Sale of finished goods	**9,715**	125,404
Trademark paid	**88,008**	88,008

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

5. Related party transactions (Continued)

	2023	2022
Administrative fees incurred with a Corporation controlled by a director of the Corporation	**RMB 179,137**	RMB 242,819

Included in this amount is RMB 84,348 in accounts payable and accrued liabilities at March 31, 2022.

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

	2023	2022
Management salary and benefits	**RMB 600,000**	RMB 500,000

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

6. Segment information

Information regarding the Group's reportable operating segments as provided to the Group's chief operating decision makers for the purposes of resources allocation and assessment of segment performance for the period derived only from trading of plastic products.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

The following table's present revenue and assets information for the Group's geographical segments:

	2023 RMB	2022 RMB
Revenue from external customers		
The PRC	**35,721,666**	**38,528,763**
Australia	**9,246,246**	**22,722,412**
USA	**10,598,621**	**23,064,410**
	55,566,533	84,315,585
Segment assets		
The PRC	**98,932,938**	**88,539,276**
Australia	**11,177,926**	**26,431,937**
USA	**8,496,520**	**26,095,426**
Hong Kong	**72,872,16**	**69,532,962**
Canada	**6,138,623**	**209,517**
	197,618,171	210,809,118

7. IFRS 16 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

The Group as lessee

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.

8. Financial liabilities

The Group has two categories of financial liabilities, which is financial liabilities at FVTPL and financial liabilities at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective interest basis.

Financial labilities at FVTPL

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, 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 liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing the gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities

9. 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 cash, and trade and other receivables.

The carrying amounts of cash and trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problems.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Most of these balances are due from state-owned enterprises or major customers with good repayment history. There has been no material credit defaults in the past.

Trade receivables

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates no significantly different loss patterns by customer segments, the grouping for accounts receivable for the assessment of ECLs is by past due days, except one customer that was assessed as being credit-impaired and at risk of default.

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Expected credit losses for accounts receivable and other receivables are detailed in the respective notes to these consolidated financial statements. At the end of the reporting period, the Group has a concentration of credit risk of 45% (2021: 27%) of accounts receivable which was due from one customer (2021 : one customer).

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 financial liabilities, which are based on contractual undiscounted cash flows including interest payments computed

using contractual rates and the earliest date the Group is required to settle the obligations.

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.

8. Financial Risk Management (continued)

Currency risk

The Group is exposed to currency risk primarily through transactions that are denominated in a currencies other than the functional currency of the entities to which they relate. The primary operations 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 entities in 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 commodity price risk.

9. Subsequent Events

COVID-19

The outbreak of the global pandemic ("COVID-19") resulted in uncertainty relating to the economic environment in which the Group operates and impacted the business and operations. The Group's manufacturing operations in the People's Republic of China were required to maintain necessary health and safety protocols for its employees in order to continue operations. As at the date of these consolidated financial statements, COVID-19 has not resulted in a material impact to the Group's financial position. Due to the high degree of uncertainty caused by the pandemic, management cannot predict the potential impact of further changes in economic conditions on the Group's financial condition or operations in future periods.

CORPORATE INFORMATION

DIRECTORS:

Jorge Enrique Autrique Ruix *
George W. Lunick
Imanol Belausteguigoitia Rius *
Casandra N. Lunick *

* 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:

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Calgary, Alberta

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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