Consolidated Financial Report
of PEIXIN International Group N.V.

for the period of three months
ended 30 September 2014

3Q 2014

Contents

1. Letter to the Shareholders

Dear Shareholders

It is our pleasure to present the consolidated Q3 2014 financial report of PEIXIN International Group N.V. The period ended 30 September 2014 was very important for our Company in terms of regular business development – for instance in terms of enhanced overseas presence resulting from closer cooperation with our American partner AST, which we describe further on in this report.

In Q3 2014 PEIXIN's revenues increased by 13.5% yoy to EUR 17.7 million. The Company was able to maintain double-digit pace of growth of revenues despite higher comparison base mainly thanks to constant R&D and quality development. As a result PEIXIN has the possibility to construct more sophisticated, technologically-advanced and therefore more expensive machines. For example in Q3 2014 the number of sanitary napkin machines sold was slightly lower yoy (19 units vs. 21 units), but at the same time the revenues generated by this segment went up by almost 8%. When it comes to diaper machines segment – the number of units sold in Q3 2014 increased yoy by 3 units, to 18, but at the same time the revenues in this segment increased by over 25%, to EUR 7.4 million. It is worth mentioning, that in Q3 2014 the share of diaper machines segment in Company's revenues exceeded the share of sanitary napkin machines. Such a significant result in diaper machines segment reflects Company's efforts to develop this segment and was supported by cooperation with AST as well as active presence of the Company on domestic and foreign trade exhibitions.

The gross profit margin in Q3 2014 was maintained at the level exceeding 36% (36.7% in comparison to 36.3% in Q3 2013) and consequently PEIXIN's net profit grew by 10% yoy, to EUR 4.36 million.

When it comes to geographical breakdown PEIXIN continued to generate most of the revenues in Mainland China in Q3 2014, but the revenues on the domestic market decreased yoy by 15% to EUR 9.6 million. This is mainly a positive outcome of strong focus of our marketing and sales teams on international sales development in the last months, which is in line with our strategy. As a result the breakdown between domestic and international sales was 54% vs. 46% in the period ended 30 September 2014 and the revenues generated on foreign markets almost doubled yoy, to EUR 8.09 million.

As mentioned above, one of the triggers of such rapid international sales development is the marketing effect of strategic cooperation with our American partner AST. The cooperation, aimed at both strengthening global presence and product quality enhancement, clearly brings first positive effects. This proves that the agreement with AST was a very important strategic step in PEIXIN's development and will offer mutual benefits for the companies. At the present stage of cooperation AST works together with PEIXIN on a new generation of baby diaper production line. The companies also support each other acting as partners in numerous exhibitions (i.a. in Genewa, Chengdu and Dubai), which attracts more attention from the potential customers. The Company expects first order from American customer (pad production line) resulting from this cooperation at the turn of 2014 and 2015 while an initial prototype of baby diaper production line will be coming out by the Q1 2015.

We are hoping our current and potential Shareholders are satisfied with the results of our strong efforts made each day to develop PEIXIN's business and maximize the value of the Company.

Yours Sincerely

Qiulin Xie

CEO PEIXIN International Group N.V.

2. General information about the Group

2.1 The Group structure

As of the reporting date i.e. 30 September 2014 the Group was comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries. The Peixin International Group N.V. is the sole shareholder of Peixin International BVI, whereas Peixin International BVI (Peixin International Group Ltd). is a sole shareholder of three subsidiaries: Fujian Peixin Machine Manufacture Industry Co. Ltd., Quanzhou Peixin Machine Manufacture Industry Co. Ltd. and Baixin Industry Co. Ltd.

As at the date of the quarterly report, 80.77% of the Company's share capital is held by P.I. Investment Limited, wholly owned by the current CEO Mr Qiulin Xie.

The current structure of the Group, at the publication date of the quarterly report, is presented below.

PEIXIN International Group N.V. is the vehicle created for listing shares on the Warsaw Stock Exchange. PEIXIN International Group N.V. is a public limited liability company (*naamloze vennootschap*) incorporated under Dutch law by a notarial deed dated 2 July 2013. The Company has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands and its registered office at Joop Geesinkweg 901, 1114 AB Amsterdam, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce in Amsterdam, under the number 58288449. The Company operates under the Dutch law.

Peixin International BVI (Peixin International Group Ltd.) is a limited liability company incorporated on 29 June 2004 under the laws of British Virgin Islands and registered in the Registrar of Companies under number 602294. The registered office of Peixin International BVI is Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands. Peixin International BVI is a holding company.

As of the reporting date Peixin International BVI was a sole shareholder of the following three subsidiaries:

— **Fujian Peixin**, which scope of business includes manufacturing and selling of precision machinery and equipment used for the production of various sanitary products,

Pictures above present insight into assembling workshop in Fujian

— **Quanzhou Peixin** has no operational activity. The company possesses certain land use rights, real estates and trademarks. Formerly performed operating activities.

— **Baixin Industry** has been established in connection with purchase of a land and plant construction in Yongchun county as well as future operations in the mentioned plant. Due to the legal requirements the Company was required to establish a new entity to operate factory located in another city. Its scope of business includes manufacturing of hygienic products machines and other machines.

Fujian Peixin, Quanzhou Peixin and Baixin Industry are limited liability companies formed under PRC laws with a status of wholly foreign owned enterprises.

2.2 Changes in the composition of the Group

During 3Q 2014 composition of the Peixin Group didn’t change.

2.3 Business and products description

The Group designs, produces and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. Depending on the type and functionalities of machines, they can be divided for semi-automatic, fully-automatic, semi-servo or full-servo machines.

The Group believes that the key features of its products are high quality and functionality offered at competitive prices. To the Group's best knowledge, the Group is among the companies based in China which offer the most advanced products in terms of speed, accuracy and technology. Additionally, the Group believes that its product quality and advancement is similar to the products of its international competitors, and the Group aims to upgrade its products to the highest standards. Due to technological development, the life cycle of the Group's products is approximately five years, and follows the life cycle of end products. After this period, the design change of the end products and raw materials used in its production require new technology and consequently new machines. This is why the Group needs to constantly improve its production technology to meet the market demand.

The Company reminds that on 22 July 2014, its direct subsidiary Fujian Peixin Machine Manufacture Industry Co., acting on behalf of itself and each of its affiliates and Automated Systems of Tacoma, LLC, a limited liability company with offices in Tacoma, Washington, USA, /“AST"/, concluded Marketing, Development and Collaboration Agreement /the “R&D Agreement"/. Under the R&D Agreement, the Parties will combine their engineering and manufacturing and capabilities to develop a new line of machines designed to offer the highest performance at the best price available in the industry. At the present stage of cooperation AST as well actively supports Peixin’s exhibitions. Furthermore in the opinion of the Company conclusion of the R&D Agreement will lead to further technological enhancement of the products, as well as it will assure proper use of Peixin’s growing capacity and strengthen global presence of both Parties. Cooperation with AST is aimed at upgrading quality and efficiency of machines from tier 3 to tier 2 (higher speed, lower waste and lower production downtime ratio). Thanks to the cooperation with AST the Company expects a first order from American customer (pad production line) at the turn of 2014 and 2015, whereas an initial prototype of machine producing diapers for babies is expected by 1Q 2015. However, the noticeable results of the cooperation with AST, are contingent on completion of the investment plan. The Company expects, that more orders will be coming around the middle of the next year.

The Group's products vary from single unit machines to complex production lines. The Group currently has over 40 models of machines. The Group is constantly upgrading its products as well as introducing new products. Since 2013, the Group has continued to transform its product structure towards more complex and more functional production lines, which is the driving force behind its sales. The Group's core products are sanitary napkins and diaper production lines, together representing approx. 82,78 % of the Group's consolidated turnover in 3Q 2014 (see “Operating and financial review – Profit & loss account – Revenues”).

With 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according to the Company’s estimates based on the publicly available data. The Group sells its products under the “Peixin” brand. The Group's products are divided mainly into four categories: Sanitary Napkin Machines, Diaper Machines, Facial Tissue Machines and Other machines. Structure of sales is characterized in part *Operating and Financial Review* of this quarterly report.

The pictures below present selected types of machines offered by the Group.

Sanitary Napkin Machines — 41,17 % of 3Q 2014 sales

Full-servo control Sanitary Napkins Line

Bar Type Package Winged Sanitary Napkin Production Line

Diaper Machines — 41,61 % of 3Q2014 sales

Full-servo control full-function adult diaper production line

Full-servo control full-function baby diaper line

Facial Tissue Machines — 12,31 % of 3Q2014 sales

Full auto box tissue line

Full-automatic Paper Handkerchiefs Packaging Production Line

Other machines — 4,91 % of 3Q2014 sales

Full-servo fruits pads machine

Stacker machine

Full-servo Control Underpad & Pet Mattress Production Line

Automatic Roll Core Machine

The Group believes that its products meet the latest technical developments of the industry in which the Group operates. The technological development of the machines involves transitioning from semi-automatic machines, through fully-automatic ones, into semi-servo and full-servo machines, the latter being currently considered to be the most advanced type of machines. Currently, the further technical development of machines consists of enhancing full-servo machines. The development of the machines is generally driven by increasing the production capacity of the machines (speed), reliability of their operation as well as quality of the end products. Other factors driving technical development were the increase in operating ratio (operating time as opposed to technological breaks) and energy consumption decrease (per unit of the end product). The increasing sales of full-servo machines are a demonstration of how strong quality and technology of the products have gained in importance.

The Group's business is mainly driven by the daily-use hygiene products market, currently experiencing growth in developing countries. In particular, the market for sanitary napkins and diapers for babies and elderly people drives the machine market. Due to consistent improvement on the technology, the Group has the ability to produce more sophisticated sanitary napkins and diaper machines. During the period of 3Q2014 the full servo diaper machines are more welcomed and accepted by the clients. The Group enjoys the steady growth in this segment.

As the Group is dedicated to the design functionality and quality of its products, its technologies and products are getting closer to international competitors and exceed most of domestic competitors. The increasing sales of the full servo machines are a vivid demonstration of how strong quality and technology of the products gain on importance.

The Group will continue to distribute its products to daily-use hygiene product manufacturers in China and abroad, mainly in Asia, Africa, Middle East and South America. However products covered by the cooperation with AST will be distributed exclusively to the definite by the parties territory as Asia (including the Middle East, but excluding India), Africa, Eastern Europe and Oceania (including, Australia, Melanesia, Micronesia and Polynesia (excluding Hawaii).

Over 3Q 2014 the Group's noticed a fall in revenues on domestic market while the number of units sold in mainland China increase visibly. However in the period of 1-3Q 2014 the Group's noticed steady cumulative growth in revenues on this market. On the other hand, dynamic development of the business in the overseas markets helped the Group achieved during 3Q 2014 rapid increase of sales to trading companies. Substantially all sales of the Group's products to trading companies are subsequently sent by those companies to ultimate clients outside China. Consequently, the Company considers all its sales to trading companies as international sales (see "*Operating and financial review – Profit & loss account – Revenues").*

The Group distributes its products internationally mainly through China-based trading companies which sell the Group's products to end users. The Group also distributes part of its products directly to international end users. Domestically, the Group intends to extend its distribution coverage from the coastal areas of China to other inland and economically growing regions. Because of the advanced technology and high quality of the products, more and more orders are received from the current domestic clients.

The Group also intends to intensively increase its direct presence in selected overseas markets by increasing promotional efforts such as targeted advertising and participation in exhibitions.

In September 2014 Fujian Peixin participated in 7th International Exhibition for Paper, Tissue and Converting Industry "Paper Arabia 2014" in Dubai. The exhibition turn out to be successful, i.a. the Company has established cooperation with new agent from Iran.

2.4 Market overview

The Group's business focuses on designing, researching, developing, manufacturing and selling precision machines manufacturing daily-use hygiene products including sanitary napkins, disposable diapers, tissues and other. The development of the machinery market is primarily driven by daily-use hygiene products market. The level of demand on the hygiene products market in particular depends on economic and demography factors such as level of income, consumption expenditure, population size and its structure as well as other like consumption habits or preferences. Furthermore, depending on the market sector (e.g. sanitary napkins, disposable diapers, tissues and other), the actual influence of particular drivers may vary.

Global hygiene product market

The global growth in the hygiene market is driven mainly on the back of factors including increasing population, the growth in an ageing population, changing habits and ameliorating economic conditions. At the global market for hygienic disposables baby diapers representing around 45% of its total value, followed by feminine care (mostly composed of sanitary napkins) and adult incontinence products (mostly composed of adults diapers), along with other medical disposables. On the global front, Western Europe used to be the largest region in the global hygiene market, with a 23% share of the same, followed by Asia (excluding Japan) with 20% of the global hygiene market. Other matured markets, including North America, Latin America and Japan were respectively accounted for 19%, 16% and 8% of the global market [research made in 2011].

Chinese hygiene product market

According to *Euromonitor International*, a double-digit current value sales growth was witnessed by retail tissue and hygiene in 2013, mainly driven by climbing household income levels and increasing awareness of health and hygiene amongst local consumers. The frequent usage of tissue and hygiene products in developed areas and growing product acceptance in lower-tier cities and rural areas were major drivers of demand over the review period. Also, compared with tissue, hygiene demonstrated more dynamic retail value sales growth in 2013. In addition to hygiene products continuing to be more expensive than tissue products, rising demand for such hygiene products as nappies/diapers/pants and incontinence products, driven by China's one-child policy and the ongoing aging of the population, also contributed to the buoyant retail value sales growth seen by hygiene in 2013. Euromonitor International predicts that tissue and hygiene in China is expected to see healthy retail value sales growth over the forecast period (2013 to 2018). This will be mostly driven by strong and growing demand for tissue products, as well as increasing consumer demand for nappies/diapers/pants and incontinence products. China's one-child policy will ensure that parents remain willing to pay more for quality products for their babies. In addition, the loosening of the one-child policy since 2014 is likely to be positively impact demand for products in this niche over the forecast period.

Euromonitor International explains that retail value sales growth in retail tissue slowed during the later years of the review period, dropping from 14% in 2010 to 5% in 2013 in terms of constant value. This slowdown was mainly caused by the large, existing consumer base, market saturation in urban areas and on-going production capacity expansion by manufacturers. Euromonitor International points out to the growing trend of product upgrading where, amid increasingly fierce competition over the review period, industry players made efforts to upgrade existing products or launch new, higher quality products with more effective product features. This was most obvious in the highly competitive tissue category in China, given the relatively low entry barriers, increasing maturity, and overcapacity problems. Euromonitor International predicts that competition is expected to become increasingly ferocious over the forecast period given continual new entrants to hygiene sector, as well as overcapacity in retail tissue segment. Manufacturers are slated to upgrade their products further, as they strive to keep ahead of the competition. Meanwhile, new products made from premium materials can be expected from industry players.

Adult diapers

With the development of the Chinese economy, an aging society, and improved disposable income of older consumers, the market has strong prospects for rapid growth and development potential. According to Euromonitor International, as the Chinese population ages and the availability of incontinence products expands, growth in sales of these products must increase during the forecast period. Furthermore, Euromonitor International claims that, during the forecast period, incontinence constant value sales will see a CAGR [Compound Annual Growth Rate] of 21%. This is an increase on the CAGR of 16% noted over the review period. The penetration rate of incontinence products remained low at the end of the review period despite the sizable number of elderly people in China. With new market entrants offering a wider range of products at more affordable prices, the use of incontinence products is likely to increase during the forecast period, pushing retail value sales. In Euromonitor International’s opinion, between 2013 and 2018, incontinence is expected to see an increase in constant value average unit price at a CAGR of 2%.

Sanitary napkins

Well-established hygiene awareness and already high penetration ratio (87% in 2011 as estimated by China National Household Paper Industry Association) makes sanitary napkins the slowest growing sub-segment in personal hygiene. According to the Directory of Tissue Paper & Disposable Products 2012/2013, after more than 20 years of development the Chinese sanitary napkin market has entered into mature period; however, compared with the global sanitary napkin market, China is still an undeveloped growing market. Euromonitor International forecasts that sanitary protection is expected to enjoy a positive constant value sales increase over the forecast period, with an anticipated CAGR of 6%. This is a fall from the review period, when the CAGR was 8%. After several years of strong growth, the sanitary protection market in China had neared maturity by the end of the review period, including reaching into remote and rural areas. While increasing consumption will help push retail value sales growth over the forecast period, the rate of growth is expected to be slower than over the review period, due to the existing large base.

Facial tissues and other

The general hygienic market comprises various products including facial tissues, wet wipes, and hygiene products for pets. In this market, key drivers include increasing hygiene standards in everyday life, changing habits, increasing hygiene and sanitation awareness, increasing living standards and rising expenditures on health care and medical services. Euromonitor International expects also retail tissues sales are expected to see a constant value CAGR of 8% from 2013 to 2018. Nonetheless, this represents a slowdown from the CAGR of 10% seen until 2013. Particularly in developed regions of the country, by the end of the review period retail tissue products had reached maturity. This was caused by rising per capita consumption, growing hygiene awareness, and improved product variety in all price ranges. Nevertheless, retail tissue is expected to enjoy strong retail value sales growth during the forecast period, as a result of further product penetration in rural areas of China, and a greater frequency of usage among existing consumers. Tissues are expected to see strong constant value sales growth between 2013 and 2018, at a predicted CAGR of 11%.

Key trends and drivers

As indicated in the introduction, the machinery market is dependent on and driven by the trends on the daily-use hygienic products market on which customers for the Group’s products operate. In the Company’s opinion the development of the machinery market follows the dynamics governing the daily-use hygiene product market. As explained in the section concerning the daily-use hygiene products market, there is a number of factors driving growth of particular segments of the daily-use hygiene products market. In general, the Company believes that growth of each segment of the daily-use hygiene products market translates into the growth of the machinery market.

The Company believes that increasing demand for daily-use hygienic products requires their producers to increase the production capacity, which in turn results in an increased demand for new machinery. Important trend in this respect is raising focus on cost-efficiency driving the purchasing decisions. Due to the current global economic situation, customers from developed countries of machinery products tend to be more cost-aware and therefore look for greater value-for-money.

In the Company's opinion, apart from increasing their production capacity, machinery customers look to improve their efficiency, product functionalities and reduce waste. This factor drives the demand for hygienic machinery with higher quality standards. In addition, product cycles for sanitary products are becoming shorter, while production is becoming more effective, which requires more efficient machinery, including in particular full-servo production lines.

Changes in consumer preferences on the market for daily-use hygienic products in China and other developing countries also influence the machinery market. End-market producers have to compete by better addressing differences in regional cultures, distribution channels and consumer profile (age, gender). In the Company's opinion, this also applies directly to the machinery market as clients expect more sophisticated machinery, which drives production segmentation and specialisation. The demand for more advanced hygiene products increases the demand for machine replacement. Higher utilisation and new product introductions, including changes in consumer preferences, accelerates the decisions to purchase new machinery.

Customers and suppliers

In the Group's opinion, there are no main customers on the Chinese machinery market – significant fragmentation and part of the demand comes from distributors on-selling products internationally. Customers are offered products of good quality, after sales service and custom-made solutions which impede its strength, shifting it towards machinery suppliers. In addition, an increasing number of manufacturers of daily-use hygiene products in China are currently undergoing consolidation. As the Chinese market is considered to be one of the keys for the Group, the increased number of consolidations among these manufacturers may significantly affect the market on which the Group operates and consequently impact on the Group's business.

Furthermore, the market of the machinery producer's suppliers is very fragmented. Cost of changing supplier is not significant as most of the supplied goods are raw materials and basic, standardized components.

The Group believes that there are no direct substitutes for products manufactured with machinery provided by the Group. Potentially there might be a switch from disposable products to re-usable ones which would impact the demand for the machinery, however this direction of change is highly unlikely.

Competitive landscape

The market for precision machines manufacturing daily-use hygiene products has a short history in China and is fragmented. In the early years, it was dominated by international producers, mainly from Japan and Italy, with almost no presence of Chinese manufacturers.

The Group believes that it is one of domestic quality leader with aspiration to reach quality level of international companies present in China. The Group's current direct competitors consist of domestic Chinese machine manufacturers providing products for daily use hygiene products market. Domestic machinery producers usually target local daily-use hygiene producers.

The Group believes that the biggest international machinery producers usually target global international daily-use hygiene producers with a global purchasing policies and, therefore, are not currently direct competitors of the Group. The Group's strategy does not include direct competing with global machinery producers present in the Chinese market. However, clients from developed countries may switch into other producers due to growing value-for-money awareness.

In spite of significant industry growth, potentially luring new entrants, there are significant entry barriers such as R&D investment level to obtain proper quality, relationship-based customer acquisition, characteristic for Chinese market, market know-how. If the international manufacturers, who are not currently targeting Chinese daily use hygiene products intend to enter the market, it may require them to lower the price level in order to compete domestically and build the business relationship, although they possess necessary know-how and R&D.

3. Selected financial data

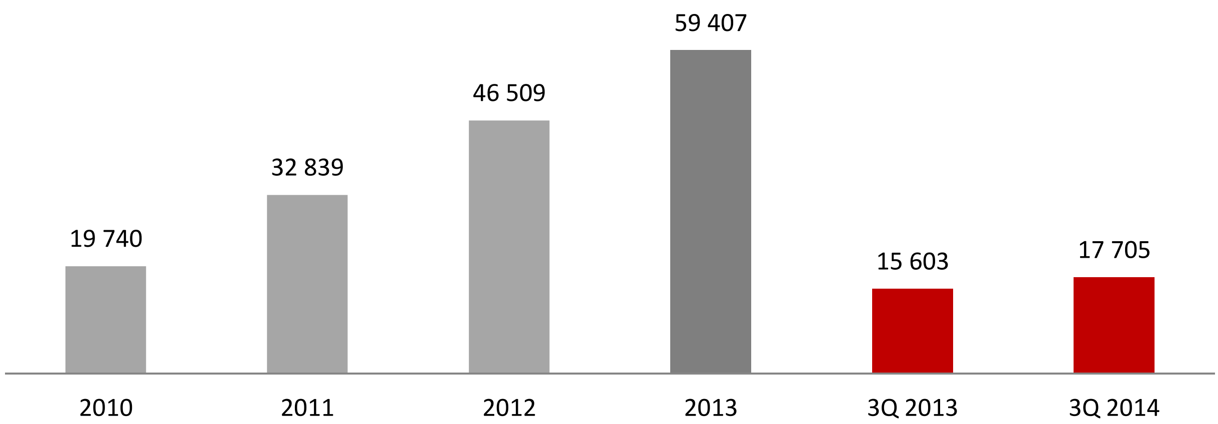
'000 EUR	**3Q 2013**	**3Q 2014**	**1-3Q2013**	**1-3Q 2014**
revenues	15 603	17 705	42 998	49 269
gross profit	5 661	6 502	15 832	18 345
operating profit	4 851	5 265	13 370	14 983
EBITDA	5 271	5 752	14 679	16 580
profit before tax	4 813	5 175	13 315	14 852
net profit	3 980	4 364	11 229	12 568
cash flow from operating activities	9 672	1 276	9 173	8 999
cash flow from investing activities	12	-1 717	102	-10 686
cash flow from financing activities	- 736	-64	-729	2 317
net increase in cash and cash equivalents	8 948	- 505	6 651	-1 641

'000 EUR	**31 Dec 2013**	**30 Sept 2014**
non-current assets	19 909	32 040
current assets	30 162	37 211
total assets	50 071	69 251
long-term liabilities	-	-
short-term liabilities	7 835	11 961
total equity	42 236	57 290
paid-in capital	13 000	13,000

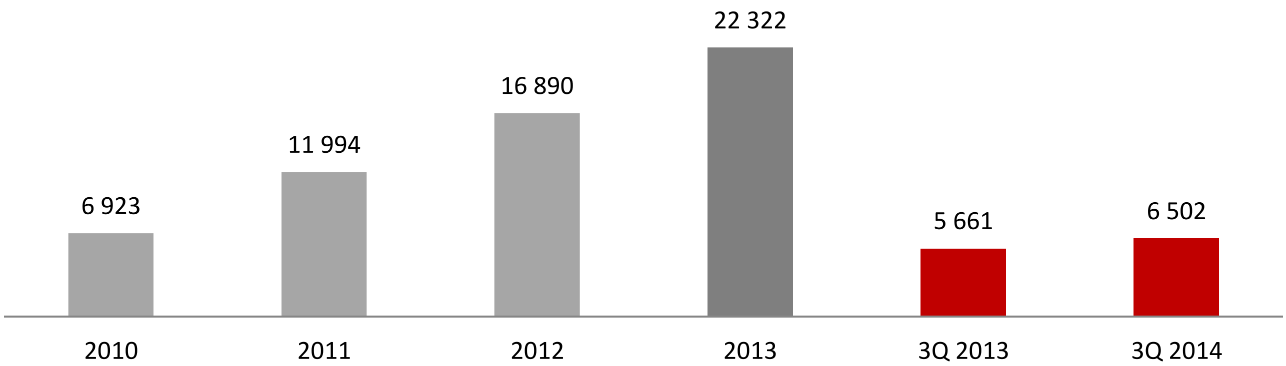
3.1 Operating and financial review

3.1.1 Key financial charts

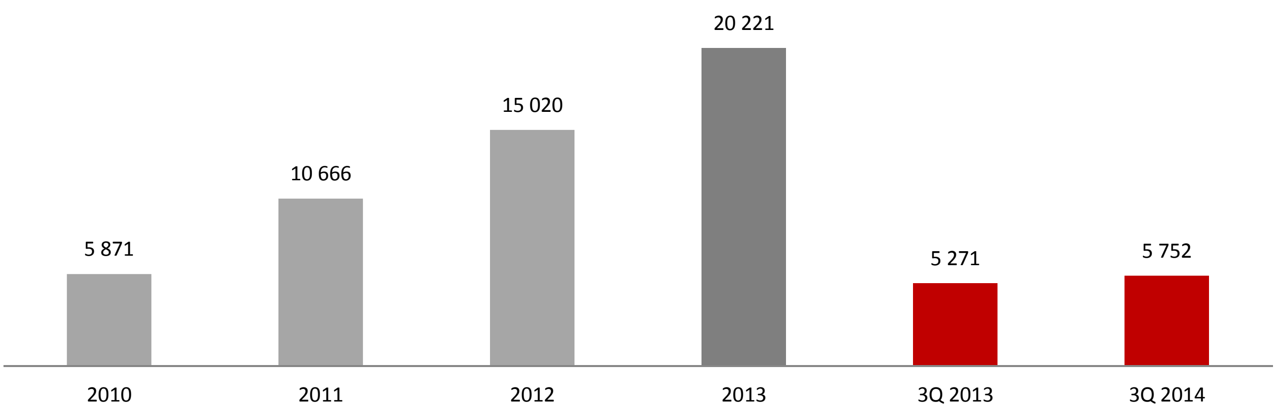
Sales '000 EUR



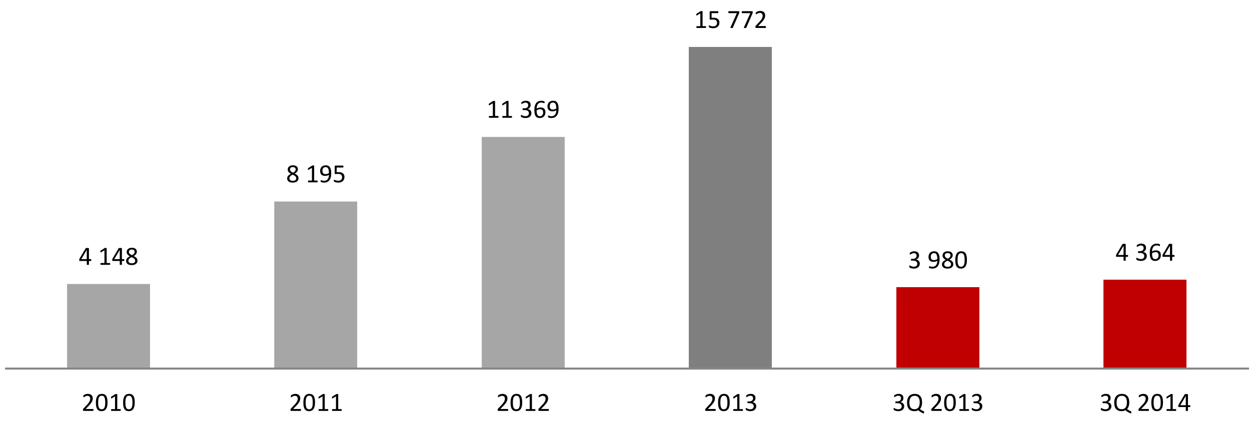
Gross Profit '000 EUR



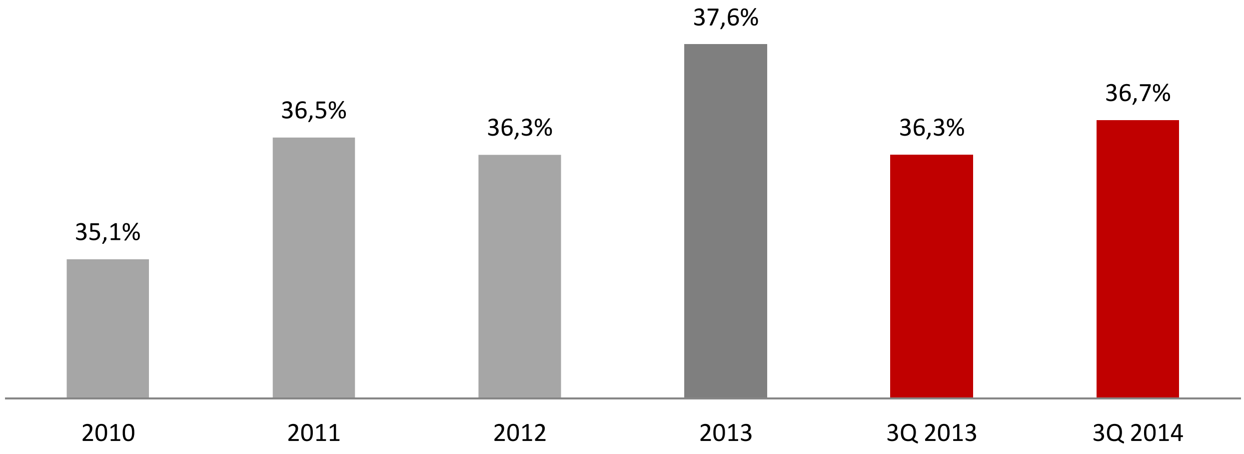
EBITDA '000 EUR



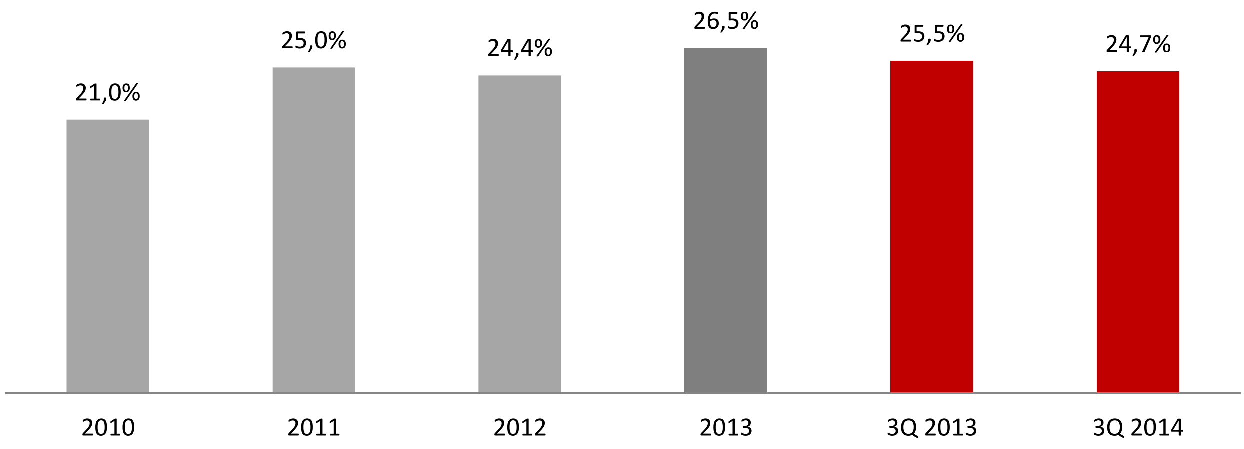
Net profit '000 EUR



Gross Profit Margin %



Net Margin %



3.2 Profit & loss account

3.2.1 Revenues

Revenues are generated from sales of sanitary napkin machines, diaper machines, facial tissue machines and other paper machines.

Revenues increased by EUR 2,102 thousand or 13.5 %, from EUR 15,603 thousand for the three months ended on 30 September 2013 to EUR 17,705 thousand for the three months ended on 30 September 2014. The increase of revenues was mainly the result of more sales from diaper machines and more units sold for facial tissue machines segment.

<u>*Revenues breakdown by segments*</u>

The following table presents the Group's revenues broken down into product categories for 3Q 2013 and 3Q 2014.

		3Q 2013		**3Q 2014**	**Change in revenues**
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
				(unaudited)	
Sanitary napkins machines	21	6 757	19	7 290	7.9
Diaper machines	15	5 883	18	7 367	25.2
Facial tissue machines	120	2 177	181	2 179	0.1
Other paper machines	24	786	23	869	10.6
Total	180	15 603	241	17 705	13.5

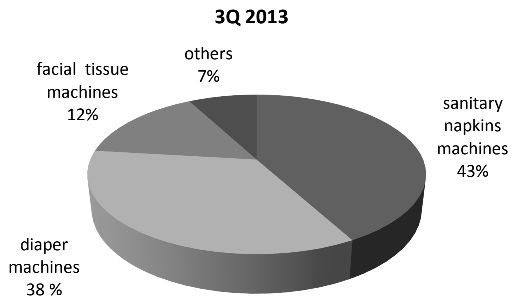
		1-3Q 2013		**1-3Q 2014**	**Change in revenues**
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
				(unaudited)	
Sanitary napkins machines	56	18 996	58	22 133	16.5
Diaper machines	37	15 945	43	19 449	22.0
Facial tissue machines	351	5 897	423	5 761	-2.3
Other paper machines	68	2 160	74	1 926	-10.8
Total	512	42 998	598	49 269	14.6

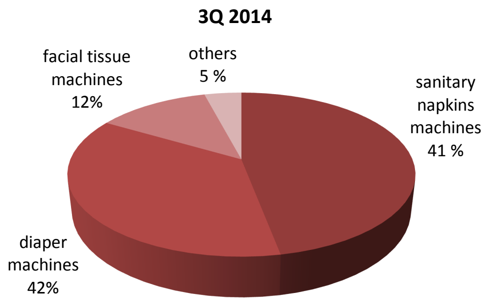
In 3Q 2014 the Group experienced steady growth of revenues in sanitary napkins machines segment by EUR 0,533 thousand or 7.9 %. However the number of units sold in this segment decreased slightly by two machines compared to 3Q 2013. Growth of revenues in sanitary napkins machines segment was in particular the result of higher value of full servo machines sold in this segment.

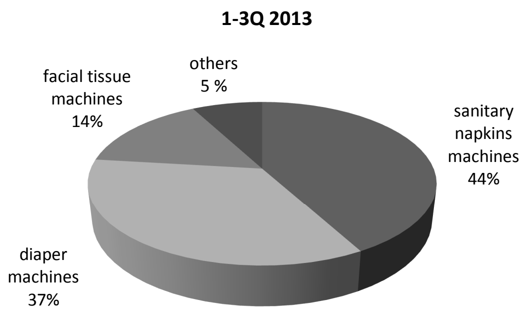
Sanitary napkins machines produced by the Company are believed to be of high quality and competitive technology, therefore both domestic and international clients are willing to purchase the machines in order to be able to provide the market with high-quality end products. The sanitary napkins segment is the most competitive amongst all segments the Company operates in. The Company maintains its competitive edge by providing high-end machines and maintaining its leading position in terms of quality. Top quality products complying with most-up-to-date technology enabled the Company to increase the price of the high-tech machines attracting the customers pursuing for top quality products.

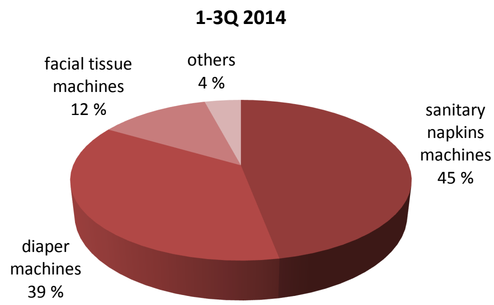
The Group also experienced significant growth in diaper machines segment by EUR 1,484 thousand or 25% mainly driven by more technically advanced full servo machines sold, as well as increased volume of units sold in this segment by three machines compared to 3Q 2013. It worth to mention that in 3Q 2014 revenues in diaper machines segment were slightly higher than revenues in sanitary napkins machine segment by EUR 0,077 thousand. Good result in diaper machines segment was caused by and active presence of the Company in international diaper exhibition which took place in April 14' and domestic one in June 14' as well as reflects the Company's efforts made to develop this segment.

Sales breakdown by segments for 3Q 2013, 3Q 2014, 1-3Q 2013 and 1-3Q 2014 is presented on charts below.









While the Company noticed substantial growth in number of units sold in facial tissue machines segment by 61 machines, at the same time the Company noticed steady level of revenues in this segment (slight growth by 0.1 %) mainly due to the fact, that less technologically advanced or smaller machines were sold. Taking under consideration fact, that facial tissue machine segment equals only 12% of sales, in 3Q 2014 the Company focused especially on sanitary napkins machines and diaper machines segments as a more profitable target.

Sales geographic breakdown

The Group distributes its products in China directly to its end users, while internationally the Group distributes its products (i) through China-based trading companies that sell the Group's products to customers and (ii) directly to international customers.

The following table presents the Group's revenues and number of units sold broken down geographically for the period of the 3Q 2014.

	3Q 2013	**3Q 2014**	**Change**	**1-3Q 2013**	**1-3Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
Revenue:						
Direct sales						
-Mainland China	11 326	9 618	-15.1	27 143	31 328	15.4
-Outside Mainland China	1 505	906	-39.8	3 284	4 025	22.6
Sales to trading companies	2 772	7 181	159.1	12 571	13 916	10.7
Total	**15 603**	17 705	13.5	**42 998**	49 269	14.6

Number of units sold

	3Q 2013	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Revenue:				
Direct sales				
-Mainland China	125	151	344	348
-Outside Mainland China	3	4	24	52
Sales to trading companies	52	86	144	198
Total	**180**	**241**	**512**	**598**

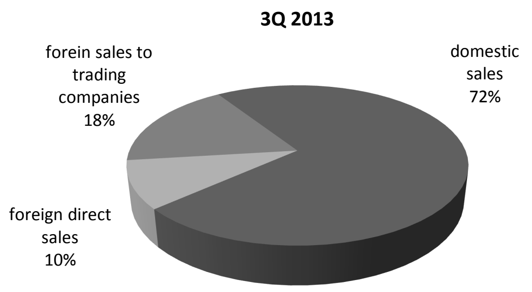
Over 3Q 2014 sales to trading companies increased by EUR 4,409 thousand or 159% comparing to 3Q 2013. Strong growth of revenue achieved at intentional market was caused i.a. by new engagements with trading agents made after Chinese New Year.

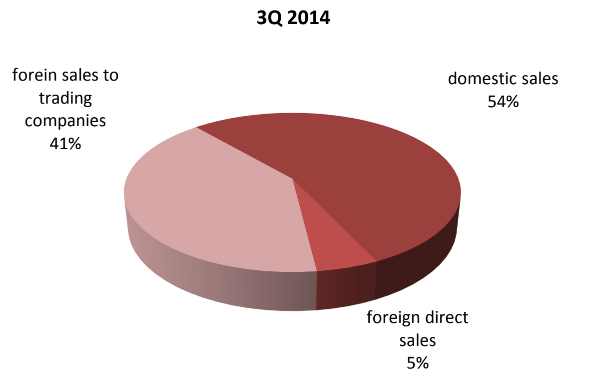
Despite the fact, that the Company considers this result as an positive outcome of realization of PEIXIN's strategy focused on international trade, in the Company's opinion this achievement has rather unusual character and three digit increase in this area will be difficult to repeat in the perspective of next reporting period, especially that cumulative data for the period of nine month ended 30 September 2014 shows, that sales to the trading companies remains at the comparative level as the revenue achieved in the same period of the year 2013.

While revenue generated from indirect international sale increased, revenue from international direct sales decreased by EUR 599 thousand or -39.8 %, from EUR 1,505 thousand for the three months ended on 30 September 2013 to EUR 0,906 thousand for the three months ended on 30 September 2014. In a lucky manner lower sales in direct international sale have less importance on the background of remarkable growth of indirect international sale.

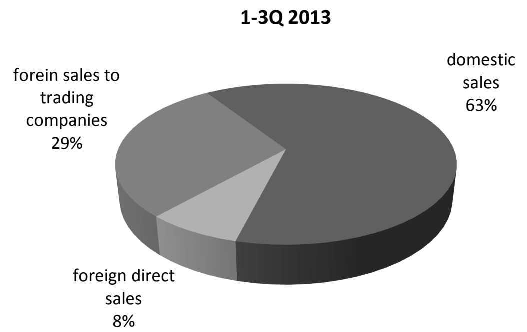
Revenue generated on domestic market decreased by EUR 1,708 thousand or 15.1 % from EUR 11,326 thousand for the three months ended on 30 September 2013 to EUR 9,619 thousand for the three months ended on 30 September 2014. In consequence results achieved in international sales significantly approach to the level of domestic sales. Behind that stands stronger focus of the sales team on dynamic development of the business in the overseas markets. Moreover higher number of orders dedicated for Outside Mainland China clients caused that the Company reached to the limited production capability. Further parallel growth of both markets depends on performance of the Company's investment plan.

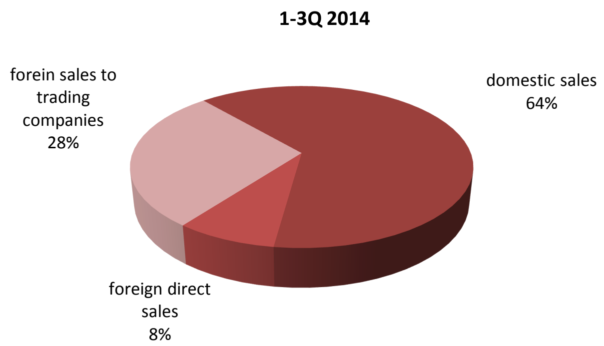
Sales geographic breakdown for the period of 3Q 2013 and 3Q 2014 is presented on charts below.





Sales geographic breakdown for the period of 1-3Q 2013 and 1-3Q 2014 is presented on charts below.





During 3Q 2014 the number of units sold on domestic market increased significantly by 26 machines compared to 3Q 2013. Also number of units sold in foreign sales increased, especially substantial growth was experienced by the Company in sales to trading companies. Sales to trading companies increased by 34 machines compared to 3Q 2013.

3.2.2 Cost of Goods Sold

The following table presents the Group's cost of sales.

	3Q 2013	3Q 2014	Change	1-3Q 2013	1-3Q 2014	Change
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
			(unaudited)			**(unaudited)**
Changes in inventories of finished						
goods and work in progress	-2 262	-1 046	-53.76	-3 868	-2 770	-28.4
Materials consumed in production	10 241	9 564	-6.6	25 526	27 320	7.0
-Glue machines and motors	4 193	3 079	-26.6	10 063	9 073	-9.8
-Steel	1 496	2 238	49.6	4 004	6 274	56.7
-Electric controllers	2 033	1 669	-17.9	4 850	4 773	-1.6
-Knife roller\cylinder	394	369	-6.3	1 030	1 105	7.3
-Other components	1 753	1 763	0.6	4 619	5 089	10.2
-Auxiliary materials	372	446	19.9	959	1 006	4.9
Labour	961	1 032	7.4	2 600	2 794	7.5
Depreciation and amortization	290	342	17.9	874	969	10.9
Outsourced manufacturing cost	410	414	1.0	1 067	1 145	7.3
Taxes and surcharges *	156	144	--7.7	380	325	-14.5
Water and electricity	152	153	0.7	395	402	1.8
Others	178	107	-39.9	238	230	-3.4
Foreign currency translation difference	-183	493	369.4	- 44	509	1256,8
Total	**9 942**	**11 203**	12.7	**27 166**	**30 924**	13.8

Taxes and surcharges are mainly Urban Maintenance and Construction Tax (7% of Valued Added Tax payment amount), Extra Charges of Education Fund (3% of Valued Added Tax payment amount) and Local Surcharge for Education Fund (2% of Valued Added Tax payment amount).

The total cost of sales (the cost of production reconciled by changes in inventories of finished goods, work in progress and foreign currency exchange differences) amounted to EUR 9,942 thousand in 3Q 2013 and increased by EUR ca. 1,26 thousand or 12.7 % to EUR 11,203 thousand for the period of the 3Q 2014.

Materials consumed in production decreased slightly by EUR 677 thousand or 6.6 % in 3Q 2014 compared to 3Q 2013, whereas the revenue increased. High level of work in progress recognized at the end of 1H 2014 was the reason why material consumed over 3Q 2014 were relatively low.

Cost of sales in 3Q 2014 increased by 12.7% as compared to the same period of 2013. The growth of the costs of the production in 3Q 2014 followed growing revenue in this period. One of the main reasons of increase of costs was higher steel consumption which raised by ca. 50 % compared to costs of steel in 3Q 2013. Increase of costs of sales was caused also by raised level of employment as well as overtime hours.

3.2.3 Gross profit

Gross profit increased by EUR 841thousand, or 14.9 %, from EUR 5,661 thousand in 3Q 2013 to EUR 6 502 thousand in 3Q 2014.

The following table presents the Group's gross profit broken down by product categories.

	3Q 2013	**3Q 2014**	change	**1-3Q 2013**	**1-3Q 2014**	change
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
			(unaudited)			**(unaudited)**
Segment gross profit						
Sanitary napkins machines	2 501	2 802	12.0	7 123	8 373	17.5
Diaper machines	2 077	2 567	23.6	5 863	7 226	23.2
Facial tissue machines	794	774	-2.5	2 095	2 072	-1.1
Other paper machines	289	359	24.2	751	674	-10.3
Total	**5 661**	**6 502**	14.9	**15 832**	**18 345**	15.9

The following table presents the Group's gross profit margin broken down into product categories.

	3Q 2013	**3Q 2014**	**Change**	**1-3Q 2013**	**1-3Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**p.p.**	**'000 EUR**	**'000 EUR**	**p.p.**
			(unaudited)			**(unaudited)**
Segment gross margin						
Sanitary napkins machines	37.0	38.4	1.4	37.5	37.8	0.3
Diaper machines	35.3	34.8	-0.5	36.8	37.2	0.4
Facial tissue machines	36.0	35.5	-0.5	35.5	36.0	0.4
Other paper machines	36.8	41.3	4.5	34.8	35.0	0.2
Total gross margin	**36.3**	36.7	0.4	**36.8**	37.2	0.4

Total gross profit in 3Q 2014 increased by ca. 15 %. mainly as a result of higher by 13,5% growth of revenues achieved simultaneously with amelioration of gross margin in sanitary napkins machines segment by 1,4pp.

The Company achieved also slight growth of gross profit margin in 3Q 2014 by 0,4 % compared to 3Q 2013, mainly as a result of better percentage of high-end and high GP ratio machines sold in 3Q 2014.

3.2.4 *Other income/expenses*

The following table presents the Group's other income broken down by categories.

	3Q 2013	**3Q 2014**	**Change**	**1-3Q 2013**	**1-3Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
			(unaudited)			**(unaudited)**
Government grant	-	78		-	82	
Rental income	26	20	-23.1	44	37	-15.9
Sales of spare parts	64	15	-76.6	191	38	-80.1
Total	**90**	**113**	25.6	**235**	**157**	-33.2

Other income increased from 90 thousands in 3Q 2013 to 113 in 3Q 2014 mainly because of the government grant in the amount of 78 thousands given as a subsidy for the Company's R&D activities.

3.2.5 Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	3Q 2013	3Q 2014	Change	1-3Q 2013	1-3Q 2014	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
		(unaudited)			(unaudited)	
Staff costs	128	155	21.1	376	430	14.4
Marketing and advertising costs	35	30	-14.3	165	148	-10.3
Post-sales services costs	44	97	120.5	117	167	42.7
Traveling costs	13	36	176.9	42	60	42.9
Depreciation	2	1	-50.0	5	4	-20.0
Others	26	22	-15.4	80	104	30.0
Total	**248**	**341**	37.5	**785**	**913**	16.3

<u>*Staff costs*</u>

Staff costs constituted 51.6 % of the Group's distribution and selling expenses for 3Q 2013 and 45.5 % for 3Q 2014. Staff costs increased by EUR 27 thousand or 21.1 %, from EUR 128 thousand in 3Q 2013 to EUR 155 thousand in 3Q 2014, mainly due to the fact that two more sales staffs were hired in this period. Growth of post-sales services costs were mainly caused by after sales services provided to the clients in 3Q 2014. After sales services comprise maintenance and costs of repair of the machines during the warranty period. Higher post-sales services cost is derivative of bigger total number of units sold in 3Q 2014 comparing to 3Q 2013 (the Company sold 61 units more). Traveling costs also increased by 176.9% due to the fact, that some sales staffs were arranged to travelling in some Middle East countries for the clients engagement and maintenance. In the Company's opinion occurrence of growth in distribution and selling expenses is an usual symptom of growing revenue.

3.2.6 Administrative expenses

Total administrative expenses slightly decreased by EUR 32 thousand, or 8.3%, from EUR 387 thousand in 3Q 2013 to EUR 355 thousand in 3Q 2014.

The following table presents the Group's administrative expenses broken down into categories.

	3Q 2013	3Q 2014	Change	1-3Q 2013	1-3Q 2014	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
		(unaudited)			(unaudited)	
Staff costs	91	100	9.9	275	295	7.3
Depreciation and amortisation charges	90	82	-8.9	274	270	-1.5
Entertainment and office expenses	64	90	40.6	159	189	18.9
Miscellaneous taxes	61	12	-80.3	148	130	-12.2

Professional service fee	18	-	-	148	213	43.9
Others	63	71	12.7	132	195	47.7
Total	387	**355**	-8.3	1 134	**1 292**	13.9

In the period of 3Q 2014 the Company maintained a comparative level of administrative expenses as in the 3Q 2014. In the reporting period the Company witness lower by EUR 49 thousands miscellaneous taxes (mainly taxes connected to land and building possession recognized and paid in 1H 2014) while Entertainment and office expenses raised by EUR 36 thousands due to the preparation to SPO.

3.2.7 *Research and Development Expenses*

Research and development expenses increased significantly by EUR 389 thousand or 146.8 %, from EUR 265 thousand in 3Q 2013 to EUR 654 thousand in 3Q 2014 mainly as a result of material input for the new generation of baby diaper machines developed in cooperation with AST, also as well as fees paid to the external advisors under R&D agreement.

The following table presents the Group's research and development expenses broken down into categories.

	3Q 2013	**3Q 2014**	**Change**	**1-3Q 2013**	**1-3Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
		(unaudited)			**(unaudited)**	
Materials	160	415	159.4	461	742	61.0
Staff costs	104	155	49.0	312	400	28.2
External advisors	-	82		-	168	
Depreciation charges	1	2	100.0	5	4	-20.0
Total	**265**	**654**	146.8	**778**	**1,314**	68.9

3.2.8 *Balance sheet*

3.2.8.1 Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 2,719 thousand or by 20.9 %, from EUR 13,012 thousand as at 31 December 2013 to EUR 15,731 thousand in 3Q 2014. The increase was the result of purchased new land and equipment – mostly the tooling machines for manufacturing the paper machines, acquired to enlarge the Company's production capacity.

3.2.8.2 Current assets

Inventories

Inventories comprise materials and components used for production as well as work in-progress and finished goods.

The table below presents the breakdown of inventories of the Group as at 31 December 2013 and 30 September 2014.

	31 Dec 2013	30 Sep 2014	Change
	'000 EUR	**'000 EUR**	**%**
Raw materials and consumables	3,269	5,294	61.9
Work in progress	4,043	7,248	79.3
Finished goods	641	206	-67.9
Total	7,953	12,748	60.3

The level of particular sort of inventories: raw materials, work in progress and finished goods, depends on the timing of the orders placed by the clients. In 3Q 2014, the Group received an increased number of orders from clients and more machines were under construction, consequently work in progress increased.

Trade and other receivables

Trade and other receivables increased slightly over 3Q 2014. The Group managed to improve its cycle of receivables collection.

Bank balances and cash

Bank balances and cash increased by EUR 0,531 thousand or 4.4%, from EUR 11,983 thousand as at 31 December 2013 to EUR 12,514 thousand in 3Q 2014.

3.2.8.3 Current liabilities

Trade and other payables

Trade and other payables consist of amounts payable to suppliers for the purchase of raw materials and products. Trade and other payables increased by EUR 0,957 thousand or 30.3 %, from EUR 3,159 thousand as at 31 December 2013 to EUR 4,116 thousand in 3Q 2014. The increase was mainly the result of the better payment terms given by some suppliers.

Indebtedness

The Company doesn't have long term debt. The table below presents the short term debt as of 30 September 2014.

Amount '000 EUR	Period		Interest rate	Mortgage	Personal guarantee
186	2014/1/7	2015/1/7	6.00%	Land use right and buildings	Xie Qiulin
641	2014/1/9	2015/1/9			
1,973	2014/1/21	2015/1/21			
687	2014/1/24	2015/1/24			
812	2014/1/28	2015/1/28			
4,299					

Intention of the Company is to renew all short-term loans after their expiry.

The borrowings are fixed-rate and denominated in RMB.

All bank borrowings as of 30 September 2014 (EUR 4,299 thousand) were secured.

Assets with the following carrying amounts have been pledged to secure bank borrowings:

	31 Dec 2013	30 Sep 2014
	‘000 EUR	‘000 EUR
Land use right	-	1,016
Buildings	-	4,655
	-	5,671

Advance from customers

Advance from customers decreased by EUR 1,642 thousand or 45%, from EUR 3,653 thousand as at 31 December 2013 to EUR 2,011 thousand in 3Q 2014. The decrease was mainly the result of promotion strategy aiming to encourage some clients to try the new version of sanitary and diaper machines, the Company agreed in 1H 2014 for less down payment from clients then in the previous terms which caused decrease in advance from customers. Nevertheless in general the Company intends to keep in the long term hitherto level of down payments.

3.2.8.4 Non-current liability

In 3Q 2014, the Group did not have non-current liabilities.

3.2.8.5 Capital and reserves.

Capital and reserves increased by EUR 15,054 thousand or 35.6 %, from EUR 42,236 thousand as at 31 December 2013 to EUR 57,290 thousand in 3Q 2014.

The Company’s capital structure changed due to the contribution from the retained profit.

3.2.9 *Cash flow*

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	‘000 EUR	‘000 EUR	‘000 EUR
	(unaudited)			
net cash from operating activities	9 672	1 276	7 278	6 728
net cash from investing activities	12	-1 717	102	-10 686
net cash from financing activities	-736	-64	-729	2 317
net movement in cash and cash equivalents	**8 948**	**-505**	**6 651**	**-1 641**
- exchange difference	-677	2 097	-141	2 172
cash at the beginning of the period	**9 674**	**10 922**	**11 435**	**11 983**
cash at the end of the period	**17 945**	**12 514**	**17 945**	**12 514**

Net cash from operating activities

In 3Q 2014, the Group generated EUR 1,276 thousand from operating activities, lower than the comparative figure in 3Q 2013, which was caused mainly due to increase in trade, other receivables and level of inventory .

Net cash used in investing activities

In order to improve the production capacity, the Group continued implementing its investment plan. In 3Q 2014 the Company paid EUR 1,546 thousands for the land use right.

Net cash from financing activities

During 3Q 2014, net cash from financing activities was interest paid for the short term bank loans.

N**et movement in cash and cash equivalents**

Change in net movement in cash and cash equivalents was caused due to the decrease of net cash from operating activities in 3Q 2014.

3.3 Key factors affecting operating and financial results

3.3.1 *Unusual items, one-off events*

Over 3Q 2014 there were no unusual items ore one-off events which affected the Group's operating and financial results.

3.3.2 *Important events and transactions that took place during the period and their consequences for the financial position of the Group if they are significant*

In 3Q 2014 no important events or transactions took place that are significant for the financial position of the Group.

3.3.3 *Seasonality*

The Group's business is slightly seasonal. The Group usually generates relatively less sales in the first quarter due to the Chinese New Year and the factories closure for 2 weeks. However, slightly more sales are normally generated in the fourth quarter of the year due to the fact that clients want products to be delivered by the end of the year in order to start the business after the Chinese New Year holiday period.

3.3.4 *Events after the end of the period that have not been reflected in the financial statements for the period /material subsequent events/*

There were no events after the end of period that have not been reflected in the financial statements or would affect financial statements in any way.

3.3.5 *Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial year*

The Company did not publish any estimates of amounts in 2013 and 2014.

3.4 Risk factors

3.4.1 Risk factors relating to the industry in which the Group operates

The Group operates in a competitive environment. Increased competition or the entry of new competitors, combined with any failure to compete effectively with its competitors, may result in lower margins or in a loss of the Group's revenues.

The Group's business focuses on the manufacturing of precision machinery used for the production of sanitary products including sanitary napkins, diapers and facial tissues.

An increase in competition and new competitors could arise at any time. In particular, due to the economic slowdown and the results of the financial crisis in industrialised countries, the Group’s international competitors may increase their sales activities in the markets of China and other growing economies. Existing and new competitors may establish more advanced production facilities or have greater financial resources, which could allow them to compete aggressively by lowering the prices of their products or expanding their production capacity. To remain competitive, the Group must continue to invest significant resources in increasing its production capacity, the on-going development of new products and improvement of existing products, in particular. There can be no assurance that the Group will have sufficient resources to increase its competitiveness or that such investments will improve the Group's position in relation to its competitors.

Increased competition or the arrival of new competitors could result in lower margins or a loss of revenues, either of which could have a material adverse effect on the Group's business, financial condition, and operation results.

Fluctuations in the supply and price of components and raw materials such as steel and alloy steel and other steel-based components could result in increased costs that the Group may only be able to pass on to its customers partially or not at all

As part of the Group’s operations, the Group must obtain sufficient quantities of components and raw materials, most importantly steel and alloy steel, and steel-based components, at acceptable prices. Furthermore, steel and alloy steel have been subject to substantial pricing cyclically. The Group cannot assure you that price fluctuations of components and raw materials will not occur in the future or that the Group will be able to pass on cost increases to its customers in part or entirely. Failure to pass on cost increases to its customers in part or entirely could adversely affect the Group's business operations and financial results.

Availability of bank financing

The availability of bank financing for the Group in China is limited. Based on its knowledge of the market practice, the Company believes that receiving bank borrowings without providing collateral in the form of leasehold rights to the land or buildings may be very difficult if at all possible. Almost all of the Group’s land and premises are pledged as of the date of hereby report. Consequently, the Group believes that it has a very limited capacity to obtain further bank financing until it acquires new real estate which would be eligible to be used as a pledge.

If the Group is unable to obtain further bank financing or alternative financing, this may have a material adverse effect on the Group’s business, revenues, financial condition and results of operations.

3.4.2 Risk factors relating to the Group

The Group is exposed to fluctuations in foreign exchange rates. Fluctuations in currency exchange rates could have material adverse effects on the business, financial condition and results of operations of the Group.

Direct sales outside mainland China were realized by executing direct orders from international clients. It is the only method for the Company to generate the foreign currency. In 3Q 2014 8.2% of the Group's sales were in USD which is 22.5% higher than the same period of 2013. In the next 3-5 years, the Group would like to focus on direct international sales in order to benefit from potentially increasing margins and close relationship with the clients. Therefore, the revenue generated by foreign currency will be increasing. Consequently, fluctuations in currency rates may influence the Group's results of operations, especially when the time between a sale of the Group's products and receiving payment is significant and the currency rate changes during this time.

Moreover, the Company's competitive position may change as a result of unfavorable currency rate fluctuation. The RMB appreciation may lead to higher prices for the Group's products in overseas markets and may have an adverse effect on the Company's export sales.

As a result, fluctuations in currency exchange rates could have material adverse effects on the business, financial condition and results of operations of the Group.

The Group's success depends in part on its ability to enhance its production capacity, which is subject to risks and uncertainties. If the Group is unable to increase its production capacity, it may not be able to achieve the desired level of production and revenues, which may have an adverse effect on the Group's financial condition, results of operations and business.

The Group is planning to increase its production capacity, which is one of the factors on which the success of the Group depends.

The Group's ability and efforts to enhance its manufacturing capabilities are subject to significant risks and uncertainties, including: the Group's ability to obtain funding and the required approvals from relevant government authorities to acquire additional facilities.

If the Group is unable to increase its production capacity, it may not be able to achieve the desired level of production and revenues, which may have an adverse effect on the Group's financial condition, results of operations and business.

The inventory levels of raw materials, parts and components for the production of the Group's machines may not be adequate and may expose the Group to additional costs or affect the Group's ability to deliver products in a timely manner

Due to the nature of the Group's production process, the Group does not maintain ready-to-sell machines in its inventory. The Group usually concludes one-year contracts with its suppliers to keep the Group's inventory level of raw materials, parts and components that the Group purchases from suppliers to manufacture its machines. Due to the planned increase in the production scale, occasional shortages in inventories may occur in the future. If the level of raw materials, parts and components in the Group's inventory is insufficient, the Group will need to purchase them from its suppliers at a price which may not always be satisfactory. This may expose the Group to additional production costs. Moreover, if the Group's inventory level is too low and the Group fails to purchase additional raw materials, parts or components in a timely manner, the Group may fail to meet delivery deadlines and consequently may lose sales.

The operations of the Group are subject to uncertainties and contingencies beyond its control that could result in material disruptions and adversely affect its results of operations. A material disruption of the operations of the Group or the operations of its suppliers or customers due to force majeure events could materially and adversely affect the results of operations

The operations of the Group are subject to uncertainties and contingencies beyond its control that could result in material disruptions and adversely affect its results of operations. These include war, riot, public disorder, civil commotion, fire, earthquake, flood and other natural calamities, epidemics, outbreaks of infectious disease, terrorism, whether locally or nationwide, or incidents such as industrial accidents, equipment failures, malfunctions of information systems or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or utilities. In addition, the Group's production processes are power intensive and require a constant supply of electricity. Any failure in power generation facilities, transmission systems and other infrastructure or a general scarcity of electricity could therefore also result in a decline in production output or even a suspension of production.

Any such disruption of the Group’s operations could disrupt, limit or delay its production, prevent it from meeting customer orders, increase its production costs or require it to spend additional capital expenditures, each of which could materially and adversely affect its results of operations. Force majeure events may also materially and adversely affect the operational performance of the Group's suppliers or customers, resulting in a decreased demand for the Group's products in the relevant markets. In such event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

Delays in the Group’s delivery of products due to the failure to meet deadlines may have a negative impact on the Group’s customer relationships and business reputation

The business of the Group is largely based on customer relationships. If the Group fails to deliver its products in line with its deadlines, this may affect the Group’s relationships with its clients and the Group’s reputation. In such event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

If the Group experiences a significant number of claims, including warranty claims, the Group’s costs might increase substantially, and the Group's reputation and brand name could suffer

Typically, the Group sells its machines with warranty terms covering a period of one year after the sale, except for certain parts of its machines, e.g. (belt, knives), that are not subject to warranty terms. The Group's product warranty typically requires the Group to provide after-sales services that cover parts and labor for non-maintenance repairs, except for repairs that are caused by operator abuse or improper use or negligence and are not attributable to normal wear and tear. Repair and replacement of certain parts and components of the Group’s machines, such as electrical apparatus control systems, are not covered by the Group but are covered by the manufacturers of such parts and components. However, in the event that such third-party suppliers refuse to perform their warranty obligations or to indemnify the Group for providing warranty services to customers to repair such parts and components, the Group may incur additional warranty costs or incurred costs may not be recovered.

If the Group experiences significant claims, including warranty claims, or if the Group's repair and replacement costs associated with warranty claims increase significantly, the Group may incur greater costs. Moreover, an increase in claims, including warranty claims, could affect its reputation and consequently result in a material adverse effect, financial condition, results of operations and prospects.

Research and development efforts of the Group may not yield the expected benefits and the Group may not be able to introduce successful products and maintain the competitiveness of its product offerings. If the Group is unable to anticipate trends in technological or product development or follow the market trends and rapidly develop the new and innovative technologies or products that are required by the Group's customers, the Group may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on the Group's business, financial position and results of operations.

The market for the Group's products is characterized by continuous technological developments and innovation to provide better product performance and address the increasingly complex market needs. As a result, the Group has been focusing on research and development activities, which require considerable human resources and capital investments. However, the Group's research and development efforts may not be successful or yield the anticipated level of economic benefit. In addition, even if the Group's research and development efforts are successful, the Group may not be able to apply these newly developed technologies to products that will be accepted by the market, or the Group may not be able to apply them in a timely manner to take advantage of opportunities in the market. The level of economic benefit that can be derived from newly developed technologies or products may also be affected by the ability and promptness of the Group's competitors to replicate these technologies or products or develop more advanced or cheaper alternatives. If the Group's technologies are replicated, replaced or made redundant, or if the demand for the Group's products is not as anticipated, the Group's turnover associated with such technologies or products may not offset the costs that the Group has incurred in developing such new technologies. Furthermore, if the Group is unable to anticipate trends in technological or product development or follow the market trends and rapidly develop the new and innovative technologies or products that are required by the Group's customers, the Group may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on the Group's business, financial position and results of operations.

The Group revenue depends on effective sales through the distribution network and its expansion. The Group cannot ensure that its selling efforts will be satisfactory and there can be no assurance that its marketing and development efforts will not prove costly or ineffective. If the Group fails to expand or develop its sales network as planned or if it loses its best performing salesmen, the Group may not be able to meet its sales' targets, which may have a material and adverse impact on the Group's business, financial position and results of operations.

As of the end of 3Q 2014, the Group's distribution network consists of twenty nine salesmen operating mainly in coastal areas of China and direct overseas market, which generate substantially all of the Group’s revenue.. Domestically, the Group intends to extend its distribution coverage from the current coastal areas of China to other inland and economically growing regions. The Group also intends to intensively increase its direct presence in selected overseas markets such as India, Turkey and USA by increasing promotional efforts such as targeted advertising and participation in exhibitions to increase its ability to directly distribute its products to international customers. Late 2013 the Group made a decision to establish first overseas office in Ankara, Turkey. The office has been operational since January 2014. The Group cannot ensure that its selling efforts will be satisfactory and there can be no assurance that its marketing and development efforts will not prove costly or ineffective. Moreover, the Group may not be able to successfully deal with legal and regulatory conditions in foreign countries that are different from those in China, what may impact its international expansion. If the Group fails to expand or develop its sales network as planned or if it loses its best performing salesmen, the Group may not be able to meet its sales' targets, which may have a material and adverse impact on the Group's business, financial position and results of operations.

The Group may not be able to implement its strategy. Achieving the Group's strategic objectives is contingent upon a range of factors which are beyond the Group's control, including, in particular, market conditions and the general business and regulatory environment. The Group's failure to implement its strategic objectives may have a material adverse effect on the Group's business, revenues, financial condition and results of operations.

The Group's strategic objectives are to extend sales in China, increase direct international coverage, strengthen brand recognition, focus further on R&D and quality enhancing as well as further increase production capacities (detailed information on strategy is included in the point 3.5 below).

Achieving these strategic objectives is contingent upon a range of factors which are beyond the Group's control, including, in particular, market conditions and the general business and regulatory environment. Strategy implementation requires the Group to provide sufficient financing for its growth as well as to manage its growth properly and integrate operation technologies, products and personnel. The Group can give no assurance that its efforts will have the expected effect. In addition, the Group may incur substantial costs to introduce new products from which the Group may be unable to ultimately realize significant revenues. If revenues do not increase as a result of the introduction of such products, the costs associated therewith may exceed revenue. The Group's failure to implement its strategic objectives may have a material adverse effect on the Group's business, revenues, financial condition and results of operations.

The Group's strategy assumes that the Group's production capacity needs to be significantly increased to meet the expected growing demand for its products. These assumptions are based on the Company's best knowledge and perception of the market trends, and its competitive position in the market. However, if the Company's assumptions concerning the machinery market and its competitive position are incorrect, or the market develops contrary to the Company's expectations, the assumed investment plan may prove overestimated and the Company may not be able to fully utilize its increased production capacity. Furthermore, a failure to implement the Group's strategy may also prevent the production capacity from being fully utilized. In such case, the costs and expenses borne by the Group to implement the overestimated investment plan may not translate into an increase in the Group's revenues.

Success of the Group depends in part on its ability to enhance its production capacity, which is subject to risks and uncertainties. If the Group is unable to increase its production capacity, it may not be able to achieve the desired level of production and revenues, which may have an adverse effect on the Group's financial condition, results of operations and business.

The Group is planning to increase its production capacity, which is one of the factors on which the success of the Group depends.

The Group's ability and efforts to enhance its manufacturing capabilities are subject to significant risks and uncertainties, including: the Group's ability to obtain funding and the Group's ability to obtain the required approvals from relevant government authorities to acquire additional facilities.

If the Group is unable to increase its production capacity, it may not be able to achieve the desired level of production and revenues, which may have an adverse effect on the Group's financial condition, results of operations and business.

3.5 Strategy

The Group's objective is to maintain and further strengthen its position as a market leader among domestic producers of daily-use hygiene product machines both in terms of revenue and quality. The Group also aims to increase its international presence and increase its direct international sales. To achieve this, the Group intends to implement the following goals:

- Extend sales in China to benefit from the expected growth in the daily-use hygiene product industry there and expand its international coverage
- Establish international branches in the world’s developing regions (South Africa and Oceania), and some already-developed markets (Turkey, Central and Eastern Europe)
- Strengthen brand recognition
- Further focus on R&D and quality enhancement , such as new generation of baby diaper machines
- Further increase production capacity
- Labor training and reserving for the coming production extension

In 3Q 2014 the Company specified objectives concerning foreign expansion through conclusion of the Marketing, Development and Collaboration Agreement with AST. By establishing of this strategic partnership Peixin and AST will share technology and co-market a co-owned portfolio of machines to the global market. The parties will also combine their engineering and manufacturing and capabilities to develop a new line of machines designed to offer the highest performance at the best price available in the industry. At the present stage of cooperation AST cooperates with the Company over new generation of baby diaper machine line as well as supports Peixin’s exhibitions (i.a. in Genewa, Chengdu, Dubai – such cooperation at exhibitions gets more attention from the potential buyers). Furthermore in the opinion of the Company conclusion of the R&D Agreement will lead to further technological enhancement of the products, as well as it will assure proper use of Peixin’s growing capacity and strengthen global presence of both Parties. Cooperation with AST is aimed at upgrading quality and efficiency of machines from tier 3 to tier 2 (higher speed, lower waste and lower production downtime ratio). Thanks to the cooperation agreement with AST the Company expects first order from American customer (pad production line) at the turn of 2014 and 2015 while an initial prototype of machine producing diapers for babies will be coming out by the Q1 2015. However the noticeable results of the cooperation with AST are contingent on completion of the investment plan. The Company expects, that more orders will be coming around the middle of next year. Detailed information on the Marketing, Development and Collaboration Agreement was disclosed in the current report No 16/2014.

The Company would also like to use indirect distribution channel (distributors) especially to sell products to regions where direct presence is either impossible or suboptimal, due to political situation, business connections, etc. Such regions involve i.a. Afghanistan, Syria or North Korea. Moreover the Company uses the business network established by distributors. Especially in some remote areas direct presence and establishment of business relations may need time, therefore it is more reasonable to use indirect distribution channel. In 3Q 2014 the Company gains new agents with good resume who have long and good relationship with clients, are familiar about the end users from North Korea and Iran.

It is worth to mention that among other activities, supported by AST’s cooperation, the Company launched an advertising at Indian market as well as Peixin made some ad’s at the one of industrial magazines.

Developing its strategy the Company's increased employment in production, R&D and trade departments by total number of 53 employees. Increase of employment was visible in all departments besides management and administration.

3.6 Significant investment CAPEX

On 25 May 2014, the Company decided to adopt an investment plan (disclosed by the Company in the current report No 12/2014). As at the date of publication of this report the Company is determined to pursue the presented investment plan, however mostly due to slower than expected process of applying for building permissions and other independent from the Company administrative law procedures, the Company assumes that investments schedule, especially the first stage of it, may change. As the Company informed in current report No 11/2014 *on Agreement on a land use right* customary in China, especially in case of long time perspective and due to changing business environment, some clauses of such kind of agreements could be subject to adjustments and further negotiations. Taking under consideration mentioned above reasons as well as obligations raised on the basis of Agreement on a land use right the Company commenced the negotiation with the Government concerning purchase of the plot of land, especially in order to change terms of investment execution schedule. So far the Company had moved over one step out of three required to gain construction permit – the local authority granted it consent. The next step will be environmental permission issued by the local government. At the next stage province authorities will issue the final construction permit. In 1-3Q 2014 the Company already commenced some initial construction works of the new factory facilities, however by virtue of law requirements the Company has to verify further investment expenditures. Independently from factors described above as at the date of publication of this report, the Company is in the process of determining the execution of investment plan by a prism of availability of financing sources. The company is currently considering to spend RMB 50-60m from retain earning for the investments.

3.7 Dividend policy

Since PEIXIN International Group N.V. was incorporated on 2 July 2013, the Group has not declared or paid any dividends to its shareholders so far. On the other hand Peixin International BVI (see point 3.1.1 The Group Structure) paid dividends from the its net profits of in 2009, 2010 and 2011 of EUR 1,124,000, EUR 3,207,000 and EUR 6,267,000 respectively.

In connection with an update of investment plan disclosed in current report No. 12/2014, on 25 May 2014, the Company decided to adjust its foregoing dividend policy, particularly increasing payout ratio after the year 2016.

Distribution percentage shall increase in time, as the Company currently executes significant investment plan. Company intends to pay future dividends in the following manner:

- 10-30% of consolidated profits for years 2014-2015 – in those year the Company shall pursue with execution of its investment plan, therefore final percentage of dividend distribution should depend on pace of investment process, size of external financing acquired and amount of internally generated funds,

- 30-50% of consolidated profits for year 2016,

- 50-70% of the consolidated profits for years after 2016 – upon completion of investment plan the internally generated sources should be sufficient enough to both finance any further investment needs (if required) and share significant portion of profits with shareholders.

all data in thousand EUR, unless stated otherwise

The dividend policy will be reviewed periodically and payment of any future dividends will be effectively made at the discretion of the Management Board and the Shareholders' Meeting after taking into account the Company's earnings, cash flow, financial condition, capital investment requirements and other factors.

Good financial performance in 2013 allows the Company to maintain strategic commitment for the dividend policy. For this purpose on 13 March 2014 the Management Board of the Company adopted a resolution on the intention to recommend to the Annual General Meeting to distribute at the expense of the Company's distributable consolidated net profit in the amount of EUR 1,560,000 in the aggregate, being an amount of EUR 0,12 per share. At the same day the Supervisory Board of the Company have approved the proposal of the Management Board.

Simultaneously the Annual General Meeting convoked for 24 April 2014 decided that the part of the net profit generated by the Company in financial year 2013 in amount of EUR 1,560,000 will be distributed to its shareholders as a dividend in cash. Annual General Meeting set the dividend day on 6 May 2014 and the dividend payment day on 16 May 2014.

3.8 Shareholders and shares

3.8.1 Share capital structure

As of 30 September 2014 the Company's share capital consisted of 13,000,000 ordinary shares with a nominal value of EUR 1 each.

The Company has an authorized share capital of EUR 50,000,000 consisting of 50,000,000 ordinary shares with a nominal value EUR 1 of each.

3.8.2 Major shareholders and shares

As of 31 December 2013 the Company's shareholding structure was as follows:

Shareholder	**number of shares**	**% in the share capital**
Qiulin Xie (Principal Shareholder)	10,500,000	80.77%
Xinsheng Investment Holding Ltd - fully controlled by Zhang Fan (Macau Resident)	600,000	4.62%
Jinyuan Investment Holding Ltd - fully controlled by Lee Meiqing (HK Resident)	600,000	4.62%
others	1,300,000	09,99%
Total	**13,000,000**	**100%**

The Company's shareholding structure as of the date of publication of hereby quarterly report, i.a. 14 November 2014 is set out in the table below:

Shareholder	**No. of Shares**	**% in the share capital**
P.I. Investment Limited (wholly owned by Qiulin Xie)	10,500,000	80.8
Xinsheng Investment Holding Ltd (wholly owned by Fan Zhang)	600,000	4.6

all data in thousand EUR, unless stated otherwise

Jinyuan Investment Holding Ltd (wholly owned by Meiqing Lee)	539,202	4.1
Others	1,360,798	10.5
Total	13,000,000	100.00

3.8.3 Issue of new shares

The Company's share capital comprises 13,000,000 shares with a nominal value of EUR 1 each.

The Annual General Meeting held on 24 April 2014 approved a capital increase up to a maximum of 4,000,000 new ordinary shares. Moreover on 11 June 2014 the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) approved the Company's Prospectus prepared for the purpose of offering by the Company of up to 3,000,000 newly issued bearer shares and the offering by Jinyuan Investment Holdings Ltd. of up to 600,000 existing bearer shares of the nominal value of EUR 1, totalling up to 3,600,000 shares with a maximum offer price set at PLN 19 per share, and the admission to trading on the Warsaw Stock Exchange of up to 3,000,000 newly issued shares. The Prospectus was also passported to the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).

However, due to unfavorable market conditions, on 18 June 2014 the Company in agreement with the Lead Manager decided to cancel the Offering.

Consequently in 3Q 2014 the Company did not issue any debt securities nor made any repurchases or repayments of debt or equity securities.

3.8.4 Changes in ownership of shares and rights to shares by Management Board members in the six month ended 30 September 2014 and until the date of publication of the report

At the date of publication of this quarterly report, to the best of the Company's knowledge none of the Management Board members, other than Mr. Xie, held directly Company's shares or rights to shares.

3.8.5 Changes in ownership of shares and rights to shares by Supervisory Board members in the six month ended 30 September 2014 and until the date of publication of the report

To the best of the Company's knowledge none of the Supervisory Board members held Company's shares or rights to shares in the three months ended 30 September 2014 and until the date of publication of this quarterly report and there was no changes in their shareholding or the number of rights to shares.

3.8.6 Special rights to control over the Company

There are no Company's shares that give special rights to control over the Company to shareholders.

3.9 Corporate bodies

The Company has a two-tier board structure consisting of a Management Board and a Supervisory Board. The Management Board is the statutory executive body and is responsible for the day-to-day management of the

all data in thousand EUR, unless stated otherwise

Company, including, amongst other things, formulating the Company's strategies and policies and setting and achieving the Company's objectives. The Supervisory Board supervises and advises the Management Board. In addition, Supervisory Board approval is required for certain important decisions of the Management Board.

3.9.1 Management Board

The Management Board members were appointed by the General Meeting on 9 September 2013 for a period of four years, provided that the members of the Management Board retire periodically in accordance with a rotation plan drawn up by the Supervisory Board.

As of 30 September 2014 the Management Board was composed of the following members:

Name	Age	Position	Member since	Term	End of term
Qiulin Xie	55	Chairman	2 July 2013	4 years	the date of the annual General Meeting in 2017
Hongyan Dai	34	Chief Financial Officer	9 September 2013	3 years	the date of the annual General Meeting in 2016
Kaida Xie	28	Sales and Marketing Manager	9 September 2013	2 years	the date of the annual General Meeting in 2015
Bas Xue	38	Administrative Manager	2 July 2013	4 years	the date of the annual General Meeting in 2018

3.9.2 Supervisory Board

As of 30 September 2014 the Supervisory Board was composed of the following members:

Name	Age	Position	Independent	Member since	Term	End of term
Ya Li	35	Chairman	No	10 September 2013	4 years	the date of the annual General Meeting in 2017
Ming Shen	52	Member	Yes	10 September 2013	4 years	the date of the annual General Meeting in 2017
Liem Tsong Lucien Tjon	53	Member	Yes	10 September 2013	3 years	the date of the annual General Meeting in 2016
Jaroslaw Dariusz Dabrowski	50	Member	Yes	10 September 2013	2 years	the date of the annual General Meeting in 2015
Rongfu Wu	29	Member	No	10 September 2013	4 years	the date of the annual General Meeting in 2018

all data in thousand EUR, unless stated otherwise

4. Other information

4.1 Environmental matters

Waste generated by the Group in the production process includes steel scrap and waste from test runs. The Group holds the required waste discharge permit which is valid until 21 April 2016. The permit is renewable.

4.2 Employee matters

The following table presents the number of employees of the Group as of the end of 2013 and as of 3Q 2014.

	2013	**3Q 2014**
Management and administration	36	36
Production and assembly	376	413
R&D	23	33
Sales	23	29
Total	**458**	**511**

5. Statement of the Management Board

Statement of the Management Board of Peixin International Group N.V. on compliance of the consolidated quarterly financial statements:

The Management Board of Peixin International Group N.V. hereby represent that to the best of their knowledge:

— quarterly financial statements of Peixin International Group N.V. for the period ended 30 September 2014 and the comparable information are prepared in accordance with the applicable accounting,

— the quarterly accounts for the period ended 30 September 2014 give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of the Company and the joint ventures included in the consolidation,

— the quarterly report for the period ended 30 September 2014 give a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions.

Members of the Management Board:

Qiulin Xie	Chairman	--- signed ---
Hongyan Dai	Chief Financial Officer	--- signed ---
Kaida Xie	Sales and Marketing Manager	--- signed ---
Bas Xue	Administrative Manager	--- signed ---

14 November 2014 Amsterdam, The Netherlands.

PEIXIN INTERNATIONAL GROUP N.V.

CONSOLIDATED FINANCIAL STATEMENTS

for the nine months ended 30 September 2014

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Consolidated statement of comprehensive income

	Notes	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
		‘000 EUR	**’000 EUR**	**‘000 EUR**	**‘000 EUR**
Revenue	8	15,603	17,705	42,998	49,269
Cost of sales	9	-9,942	-11,203	-27,166	-30,924
Gross profit		**5,661**	**6,502**	**15,832**	**18 345**
Other income	10	90	113	235	157
Distribution and selling expenses	11	-248	-341	-785	-913
Administrative expenses	12	-387	-355	-1,134	-1,292
Research and development expenses	13	-265	-654	-778	-1,314
Profit from operations		**4,851**	**5,265**	**13,370**	**14,983**
Other gains and losses		5	-30	23	-31
Finance income		12	4	102	64
Finance costs	14	-55	-64	-180	-164
Profit before tax		**4,813**	**5,175**	**13,315**	**14,852**
Income tax expense	15	-833	-811	-2,084	-2,284
Profit for the period		**3,980**	**4,364**	**11,231**	**12,568**
Other comprehensive income					
Items that will be reclassified to profit or loss					
Currency translation differences		-990	3,916	-95	4,002
Total comprehensive income for the period		**2,990**	**8,280**	**11,136**	**16,570**
Attributable to:					
Owners of the Company		2,990	8,280	11,136	16,570
Earnings per share - basic EUR	**18**	**0.34**	**0.64**	**0.94**	**1.27**

Consolidated statement of financial position

	Notes	31/12/2013	30/09/2014
		'000 EUR	**'000 EUR**
Property, plant and equipment		13,012	15,731
Land		5,683	15,337
Investment properties		604	14
Other deferred assets		610	958
Non-current assets		**19,909**	**32,040**
Inventories	19	7,953	12,748
Trade and other receivables	21	10,204	11,925
Prepaid lease payments		22	24
Bank balances and cash	22	11,983	12,514
Current assets		**30,162**	**37,211**
Trade and other payables	23	3,159	4,116
Related parties payables	24	231	667
Advance from customers	25	3,653	2,011
Income tax payable		792	868
Bank borrowings	26	-	4,299
Current liabilities		**7,835**	**11,961**
Net current assets		**22,327**	**25,250**
Total assets less current liabilities		**42, 236**	**57,290**
Non-current liabilities		**-**	**-**
Net asset		**42, 236**	**57,290**
Share/paid-in capital	27	13,000	13,000
Reserves	28	29,236	44,290
Total equity		**42,236**	**57,290**

Consolidated statement of cash flow

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
OPERATING ACTIVITIES				
Profit before tax	4,813	5,175	13,315	14,852
Adjustments for:				
Finance costs	55	64	180	164
Interest income	-12	-13	-102	-64
Depreciation of property, plant and equipment	341	242	1,006	1,076
Amortisation of prepaid lease payments	6	6	17	17
Amortisation of investment properties	12	0	36	1
Amortisation of other deferred assets	49	206	147	470
Operating cash flows before movements in working capital	**5,264**	**5,680**	**14,599**	**16,516**
(Increase) / Decrease in inventories	-1,450	-2,311	-3,865	-4,795
(Increase) / Decrease in trade and other receivables	4,430	-1,692	-5,548	-1,721
(Increase) / Decrease in other deferred assets	-	-	-	-752
Increase / (Decrease) in related parties payables	-	57	-	436
Increase / (Decrease) in trade and other payables	519	16	1,441	957
Increase / (Decrease) in advance from customers	1,686	413	2,546	-1,642
Cash generated from operations	**10,449**	**2,163**	**9,173**	**8,999**
Income taxes paid	-777	-887	-1,895	-2,271
Net cash from operating activities	**9 672**	**1,276**	**7,278**	**6,728**
INVESTING ACTIVITIES				
Interest received	12	13	102	64
Purchase of property, plant and equipment	-	-184	-	-2,072
Purchase of land use right	-	-1,546	-	-8,678
Net cash used in investing activities	**12**	**- 1,717**	**102**	**-10,686**
FINANCING ACTIVITIES				
Interest paid	-55	-64	-180	-164
Dividends paid	-	-	-	-1,516
New bank loans raised	-	-	-	3,997
Repayment of borrowings	-726	-	-594	-
Capital injection	45	-	45	-
Net cash used in financing activities	**-736**	**-64**	**-729**	**2,317**
Net increase in cash and cash equivalent	**8,948**	**-505**	**6,651**	**-1,641**
Effects of currency translation	-677	2,097	-141	2,172
Cash and cash equivalents at beginning of period	**9,674**	**10,922**	**11,435**	**11,983**
Cash and cash equivalents at end of period	**17,945**	**12,514**	**17,945**	**12,514**

Consolidated statement of changes in equity

	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Results for the year	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	(Note27)	(Note28)	(Note28)	(Note28)	(Note28)		
Balance at 1 January 2013	41	3,302	2,179	1,630	5,609	11,369	24,130
Result appropriation	-	-	-	-	11,369	-11,369	-
Profit for the period	-	-	-	-	-	11,312	11,312
Other comprehensive income for the period	-	-	-133	-	-	-	-133
Balance at 30 September 2013	41	3,302	2,046	1,630	16,978	11,312	35,309
Profit for the period	-	-	-	-	-	4,460	4,460
Other comprehensive income for the period	-	-607	-558	-	-	-	-1,165
Appropriation to statutory surplus reserve	-	-	-	1,007	-1,007	-	-
Shares transferred from BVI to N.V.	-41	41	-	-	-	-	-
Capital injection	45	-	-	-	-	-	45
Share capital injected by contribution of shares	11,955	16,976	-	-	-28,931	-	-
Share capital injected by IPO	1,000	2,587	-	-	-	-	3,587
Balance at 31 December 2013	13,000	22,299	1,488	2,637	-12,960	15,772	42,236
Result appropriation	-	-	-	-	15,772	-15,772	-
Profit for the period	-	-	-	-	-	12,568	12,568
Other comprehensive income for the period	-	-	4,002	-	-	-	4,002
Payment of dividends	-	-	-	-	-1,516	-	-1,516
Balance at 30 September 2014	13,000	22,299	5,490	2,637	1,296	12,568	57,290

1. GENERAL INFORMATION

Peixin International Group N.V. (the "Company") is the vehicle created for listing shares on the Warsaw Stock Exchange. Peixin International Group N.V. is a public limited liability company (naamloze vennootschap) incorporated under Dutch law by a notarial deed dated 2 July 2013. The Company has its statutory seat (statutaire zetel) in Amsterdam, the Netherlands and its registered office at Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce in Amsterdam, the Netherlands, under the number 58288449. The Company operates under Dutch law.

Peixin International Group Ltd. ("Peixin International BVI") is a limited company incorporated in the British Virgin Islands ("BVI") on 29 June 2004 by Xie Qiulin. The registered office of the Company is situated at Akara Bldg., 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands. The principal business of Peixin International BVI is through its subsidiaries, Fujian Peixin Machine Manufacture Industry Co., Ltd. ("Fujian Peixin"), Quanzhou Peixin Machine Manufacture Industrial Co., Ltd. ("Quanzhou Peixin") and Baixin Industry Co., Ltd. ("Quanzhou Baixin") in the People's Republic of China ("PRC"). The address of the principal place of Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin is disclosed in Note 2.

The principal activities of the Company and its subsidiaries (the "Group") are the research and development, manufacturing and trading of daily-use paper machinery. Its market mainly locates in PRC.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2014, the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries: Peixin International Group Ltd. (Peixin International BVI), Fujian Peixin Machine Manufacture Industry Co., Ltd. (Fujian Peixin), Quanzhou Peixin Machine Manufacture Industry Co., Ltd. (Quanzhou Peixin) and Baixin Industry Co., Ltd. (Quanzhou Baixin).

Peixin International Group N.V. is the sole shareholder, whereas Peixin International Group Ltd. (Peixin International BVI) is a sole shareholder of three subsidiaries: Fujian Peixin Machine Manufacture Industry Co., Ltd., Quanzhou Peixin Machine Manufacture Industry Co., Ltd. and Baixin Industry Co., Ltd.

On 14 August 2013 all shares in Peixin International Group Ltd. (Peixin International BVI) were contributed to the Company in exchange for newly issued shares in the share capital of the Company as a part of the Group restructuring in connection with the public offering.

Peixin International BVI was established by Xie Qiulin with a share capital of USD 50,000 divided into 50,000 shares with a par value of USD 1 each. On 7 February 2013 Xie Qiulin transferred 2,500 shares to Jinyuan Investment Holding Ltd., 2,500 shares to Xinsheng Investment Holding Ltd. and 1,250 shares to Best Fortune Investment Enterprise Limited. On 14 August 2013 Xie Qiulin, Xinsheng Investment Holding Ltd., Jinyuan Investment Holding Ltd. and Best Fortune Investment Enterprise Limited contributed all their shares in Peixin International BVI to the Company in exchange for shares in the share capital for the Company.

Due to the fact that the Company was incorporated on 2 July 2013, there is no historical financial information relating to the Company for the full year ended 31 December 2013. The consolidated figures of Peixin International Group Ltd. (Peixin International BVI) have been used as comparative figures for the interim consolidated financial statements of comprehensive income.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS-continued

As at 30 September 2014 and the date of approval of the consolidated financial statements, Peixin International Group N.V. had the following wholly-owned subsidiaries:

Name of entity	Place and date of establishment	Registered capital	Principal activities
Fujian Peixin (i)	Quanzhou, Fujian Province, PRC 8 November 2006	HKD 50,000,000	Manufacture of daily-used paper machinery
Quanzhou Peixin (ii)	Quanzhou, Fujian Province, PRC 28 November 1994	RMB 5,800,000	Manufacture of daily-used paper machinery
Peixin International BVI (iii)	British Virgin Islands, 29 June 2004	USD 50,000	Investing
Quanzhou Baixin (iv)	Yongchun, PRC 18 April 2014	RMB 50,000,000	Manufacture of daily-used paper machinery

(i) Fujian Peixin was established by Peixin International BVI on 8 November 2006 with a registered capital of Hongkong Dollar 28,800,000. The registered capital was increased to Hongkong Dollars 50,000,000 in November 2013.

(ii) Quanzhou Peixin was established on 28 November 1994 with a registered capital of Renminbi 5,000,000 by Yee Lung Enterprise Co., Ltd. (30% share capital) where Xie Qiulin being the ultimate controlling party and Quanzhou Licheng Light Industry Machinery Factory (70% share capital). The registered capital was increased to Renminbi 5,800,000 in November 2002 and the entire share capital of Quanzhou Peixin was transferred to Peixin International BVI in June 2006.

(iii) Peixin International BVI was established by Xie Qiulin with a share capital of USD 50,000 divided into 50,000 shares with a par value of USD 1 each. On 7 February 2013 Xie Qiulin transferred 2,500 shares to Jinyuan Investment Holding Ltd., 2,500 shares to Xinsheng Investment Holding Ltd. and 1,250 shares to Best Fortune Investment Enterprise Limited. On 14 August 2013 Xie Qiulin, Xinsheng Investment Holding Ltd., Jinyuan Investment Holding Ltd. and Best Fortune Investment Enterprise Limited contributed all their shares in Peixin International BVI to the Company in exchange for shares in the share capital for the Company.

(iv) Quanzhou Baixin was established on 18 April 2014 with a registered capital of Renminbi 50,000,000.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS-continued

As of 30 September 2014, the Company's shareholding structure was as follows:

Shareholder	No. of shares	% in the share capital
P.I. Investment Limited - fully controlled by Mr Xie Qiulin (Principal Shareholder)	10,500,000	80.8%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.6%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	571,462*	4.4%*
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)	300,000	2.3%
Market	1,000,000	7.9%
Total	**13,000,000**	**100%**

As of the date of publication of 3Q 2014 report, i.e. 14 November 2014 this shareholder decreased its stake to 539,202 shares which constituted 4.1% in the share capital.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Except as described below, for the period ended 30 September 2014 the Company has consistently adopted all the new and revised standards, amendments and interpretations (collectively IFRSs) issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as "International Financial Reporting Interpretations Committee" ("IFRIC")) of the IASB as adopted by the European Union ("adopted IFRSs") that are effective for financial year beginning on 1 January 2014 in the preparation of the consolidated financial statements throughout the Periods.

The Company has applied the following new and revised standards, amendments or interpretations that have been issued and effective during the reporting period:

IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IFRIC 21	Levies
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Its application has had no impact on the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

At the date these consolidated financial statements are authorized for issuance, the IASB has issued the following new and revised International Accounting Standards ("IASs"), IFRSs, amendments and IFRICs which are not yet effective in respect of the years. The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRS 14	Regulatory Deferral Accounts
IAS 16 (amendments)	Property, Plant and Equipment
IAS 19 (amendments)	Employee Benefits
IAS 38 (amendments)	Intangible Assets
IFRS 11 (amendments)	Joint Arrangements

Annual Improvements 2010-2012 Cycle

Annual Improvements 2011-2013 Cycle

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the European Union. These interim consolidated financial statements have been prepared in accordance with IAS 34 ‘Interim financial reporting’. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2013 annual report. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES –continued

Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB).

The shareholders of the Company made use of a Dutch stock listed company which acts as parent (holding) company. Therefore the financial statements of the company have been presented in EUR. Translation from RMB to EUR found place at the following rates:

	Period end rates	Average rates
30 September 2013	EUR 1.00= RMB 8.2983	EUR 1.00=RMB 8.1867
31 December 2013	EUR 1.00=RMB 8.4189	EUR 1.00=RMB 8.2396
30 September 2014	EUR 1.00=RMB 7.8049	EUR 1.00=RMB 8.2969

The results and financial positions in functional currency are translated into the presentation currency of the Company as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(3) Share equity, share premium and dividends are translated at historical exchange rates; and

(4) All resulting exchange differences are recognized in translation reserve, a separate component of equity.

Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Non-monetary items are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share each of these criteria.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of goods is recognized when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Cost that are directly attributable to the development phase of new products and designs are also expensed if they do not yet meet the criteria to be recognized as an intangible asset in accordance with IAS 38.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the on-going required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions. These plans are considered defined contribution plans. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contributions into the national pension schemes. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period, and the best estimate of the weighted average annual income tax rate expected for the full financial year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment ("PPE") including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are measured under the cost model that they are recognized at cost and depreciated systematically over its useful life.

Other deferred assets

Other deferred assets, principally comprising costs of plant greening project and office building renovation, are held for administrative purposes. Other deferred assets are initially measured at cost and amortized systematically over its useful life.

Prepaid investments

Prepaid investments are principally comprising of prepayments for machineries and land use right. The amount will be transferred to property, plant and equipment and prepaid lease payments when the constructions are completed.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments-continued

Financial assets-continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, related parties receivables, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on loans and receivables below).

Impairments of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent 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.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments-continued

Financial assets-continued

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables advance from customers and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Capital and Reserves

Share capital represents the nominal value of shares that have been issued by the Group. Share capital is determined using the nominal value of shares that have been issued.

Retained profits include all current and prior period results as determined in the combined statement of comprehensive income.

Foreign currency translation differences arising on the translation are included in the currency translation reserve.

In accordance with the relevant laws and regulations of PRC, the subsidiaries of the Group established in PRC are required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage. The statutory reserves are not available for dividend distribution to the shareholders.

All transactions with owners of the Group are recorded separately within equity.

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to exercise judgment in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and reported amount of revenue and expenses during the reporting period. The following estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below:

Allowance for Bad and Doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates, where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been charged.

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES -continued

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and differed tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2013 and 30 September 2014 amounted to kEUR 792 and kEUR 868 respectively.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make 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 may 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 period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Depreciation of building, machinery and equipment

As described in Note 4, the Group reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. The cost of building, machinery and equipment is depreciated on a straight-line basis over the assets' estimated useful lives. Management estimates the useful lives of these buildings, machinery and equipment to be within 5 to 20 years. These are the common life expectancies applied in the same industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

7. SEGMENT REPORTING

Management currently identifies the Group's four product categories as operating segments, which are sanitary napkins machines, diaper machines, facial tissue machines and other paper machines. The segment presentation is in accordance with management's expectation of future business developments. These operating segments are monitored and strategic decisions are made on the basis of segmental gross margins.

By business

Revenue:	**3Q 2013**	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Sanitary napkins machines	6,757	7,290	18,996	22,133
Diaper machines	5,883	7,367	15,945	19,449
Facial tissue machines	2,177	2,179	5,897	5,761
Other paper machines	786	869	2,160	1,926
Total	**15,603**	**17,705**	**42,998**	**49,269**

Segment gross profit :	**3Q 2013**	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Sanitary napkins machines	2,501	2,802	7,123	8,373
Diaper machines	2,077	2,567	5,863	7,226
Facial tissue machines	794	774	2,095	2,072
Other paper machines	289	359	751	674
Total	**5,661**	**6,502**	**15,832**	**18,345**

By Geographical Information

Revenue:	**3Q 2013**	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Direct sales				
-Mainland China	11,326	9,618	27,143	31,328
-Outside Mainland China	1,505	906	3,284	4,025
Sales to trading companies	2,772	7,181	12,571	13,916
Total	**15,603**	**17,705**	**42,998**	**49,269**

REVENUE

8. REVENUE

Revenue represents revenue arising on sales of goods.

Revenue is denominated in the following currencies:

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Renminbi ("RMB")	14,098	16,799	39,714	45,244
United States Dollars ("USD")	1,505	906	3,284	4,025
Total	**15,603**	**17,705**	**42,998**	**49,269**

9. COST OF SALES

Cost of sales comprises of purchasing materials, labor costs for personnel employed in production, depreciation and amortization of non-current assets used for production purpose, outsourced manufacturing cost, taxes and surcharges and water and electricity. The following table shows a breakdown of cost of sales for the period under review for each category:

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Changes in inventories of finished				
goods and work in progress	-2,262	-1,046	-3,868	-2,770
Materials consumed in production	10,241	9,564	25,525	27,320
-Glue machines and motors	4,193	3,079	10,063	9,073
-Steel	1,496	2,238	4,004	6,274
-Electric controllers	2,033	1,669	4,850	4,773
-Knife roller\cylinder	394	369	1,030	1,105
-Other components	1,753	1,763	4,619	5,089
-Auxiliary materials	372	446	959	1,006
Labour	961	1,032	2,600	2,794
Depreciation and amortization	290	342	874	969
Outsourced manufacturing cost	410	414	1,067	1,145
Taxes and surcharges *	156	144	380	325
Water and electricity	152	153	395	402
Others	178	107	238	230
Foreign currency translation difference	-184	493	-45	509
Total	**9,942**	**11,203**	**27,166**	**30,924**

* Tax and surcharges are mainly Urban Maintenance and Construction Tax (7% of Valued Added Tax payment amount), Extra Charges of Education Fund (3% of Valued Added Tax payment amount) and Local Surcharge for Education Fund (2% of Valued Added Tax payment amount).

10. OTHER INCOME

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Government grant	-	78	-	82
Rental income	26	20	44	37
Sales of spare parts	64	15	191	38
Total	**90**	**113**	**235**	**157**

11. DISTRIBUTION AND SELLING EXPENSES

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Staff costs	128	155	376	430
Marketing and advertising costs	35	30	165	148
Post-sales services costs	44	97	117	167
Traveling costs	13	36	42	60
Depreciation	2	1	5	4
Others	26	22	80	104
Total	**248**	**341**	**785**	**913**

12. ADMINISTRATIVE EXPENSES

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Staff costs	91	100	275	295
Depreciation and amortisation charges	90	82	274	270
Entertainment and office expenses	64	90	159	189
Miscellaneous taxes	61	12	148	130
Professional service fee	18	-	148	213
Others	63	71	130	195
Total	**387**	**355**	**1,134**	**1,292**

13. RESEARCH AND DEVELOPMENT EXPENSES

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Materials	160	415	461	742
Staff costs	104	155	312	400
External advisors	-	82	-	168
Depreciation charges	1	2	5	4
Total	**265**	**654**	**778**	**1,314**

14. FINANCE COSTS

Bank borrowings interests are charged on interest rates of 6.000% to 6.560% per annum during the periods ended 30 September 2013 and 2014 respectively.

	3Q 2013	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Interest expenses on bank borrowings wholly repayable within one year	55	64	180	164

15. INCOME TAX EXPENSE

	3Q 2013	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Current tax: PRC enterprise income tax	833	811	2,084	2,284

Peixin International Group N.V. is incorporated in the Netherlands and does not have any taxable income.

Peixin International Group BVI is incorporated in BVI and does not have any taxable profits subject to BVI Profits Tax since its incorporation.

The applicable enterprise income tax rate of Fujian Peixin is 25%. Being a foreign owned enterprise, Fujian Peixin is entitled to full exemption from enterprise income tax ("EIT") for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years. 2007 was the first profitable year of Fujian Peixin, accordingly, the effective income tax rate of Fujian Peixin in the years of 2010 and 2011 is 12.5%. Since year 2012, Fujian Peixin obtained the “High and New Technology” certificate thus having been enjoying a low tax rate of 15%.

The applicable enterprise income tax rate of Quanzhou Peixin is 25%. At 30 September 2013 and 2014, Quanzhou Peixin has no recognized tax losses and no income tax was charged for the periods ended 30 September 2013 and 2014.

The applicable enterprise income tax rate of Quanzhou Baixin is 25%. At 30 September 2013 and 2014, Quanzhou Baixin has no recognized tax losses and no income tax was charged for the periods ended 30 September 2013 and 2014.

16. EMPLOYEES' EMOLUMENTS

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	‘000 EUR	‘000 EUR	‘000 EUR
Salaries and other short-term benefits	452	1,230	2,665	3,639
Defined contribution benefit schemes	33	38	99	106
Total employee benefits expense				
(including directors’ emoluments)	**485**	**1,268**	**2,764**	**3,745**

The employees of the Group’s PRC subsidiaries are members of state-managed retirement benefit schemes operated by the local government. The subsidiaries are required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

17. KEY MANAGEMENT EMOLUMENTS

The emoluments paid or payable to the directors of the Company were as follows:

	3Q 2013	**3Q 2014**	**1-3Q 2013**	**1-3Q 2014**
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Directors' emoluments				
- Salaries				
Xie Qiulin	18	17	53	51
Xie Kaida	15	6	15	18
Dai Hongyan	33	10	33	30
	56	**33**	**101**	**99**
Supervisory board' s emoluments				
- Salaries				
Li Ya	0	2	0	6
Shen Ming	0	2	0	6
Liem Tsong LucienTjon	0	1	0	3
Jaroslaw Dariusz Dabrowski	0	4	0	12
Wu Rongfu	8	7	24	21
	8	**16**	**24**	**48**
- Social Welfare				
Xie Qiulin	*	*	*	*
Xie Kaida	*	*	*	*
Dai Hongyan	*	*	*	*
Wu Rongfu	*	*	*	*
	*****	*****	*****	*****

18. EARNINGS PER SHARE

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Basic earnings per share				
From continuing operations	0.34	0.64	0.94	1.27
Total basic earnings per share	**0.34**	**0.64**	**0.94**	**1.27**

Weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
Weighted average number of ordinary shares for the purpose of basic earnings per share[1]	13,000,000	13,000,000	13,000,000	13,000,000

No diluted earnings per share have been presented because no dilutive potential ordinary shares existed during the Periods.

1 The number of shares in the first nine months of 2013 was not equal to 13,000,000 due to the purpose of basic earnings per share.

19. INVENTORIES

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Raw materials and consumables	3,269	5,294
Work in progress	4,043	7,248
Finished goods	641	206
	7,953	12,748

20. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Trade and other receivables (Note 21)	9,692	11,730
Bank balances and cash (Note 22)	11,983	12,514
	21,675	24,244

Financial liabilities measured at amortized cost

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Current		
Trade and other payables (Note 23)	2,949	3,526
Advance from customers (Note 25)	3,653	2,011
Related parties payables (Note 24)	231	667
Bank borrowings (Note 26)	-	4,299
	6,833	10,503

The carrying amounts of the financial assets and liabilities approximate to their fair values.

21. TRADE AND OTHER RECEIVABLES

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Trade receivables	8,549	11,182
Other receivables	1,143	548
Subtotal financial assets	9,692	11,730
Prepayments	512	195
	10,204	11,925

21. TRADE AND OTHER RECEIVABLES-continued

Trade and other receivables are denominated in the following currencies:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Renminbi ("RMB")	8,184	10,297
United States Dollars ("USD")	1,968	1,628
Euros ("EUR")	52	-
	10,204	11,925

The fair value of trade and other receivables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defined credit limits by customer. Limits attributed to customers are reviewed once a year. The aging analysis of trade and receivables is as follows:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Current	8,549	11,175

The Group allows an average credit period of 60 days to its trade customers. The aging analysis of trade receivables which are past due but not impaired is as follows:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Past due for less than 3 months	-	7
Past due for over 3 months but less than 9 months	-	-
	-	7
	8,549	11,182

There are no trade receivables that are past due and impaired.

22. BANK BALANCES AND CASH

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Cash on hand	37	44
Bank balances	11,946	12,470
	11,983	12,514

Bank balances and cash are denominated in the following currencies:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Renminbi (“RMB”)	10,290	12,404
United States Dollars (“USD”)	52	60
Hong Kong Dollars (“HKD”)	*	*
Euros (“EUR”)	1,619	50
Zlotys (“PLN”)	22	*
	11,983	12,514

* Amount less than EUR 1,000.

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. Bank balances as at 30 September 2014 carry interest at market rates which ranged from 0.35% to 0.5% (2013: 0.35%-0.50%) per annum.

23. TRADE AND OTHER PAYABLES

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Trade payables	2,248	2,777
Other payables	9	-
Salary payables	692	749
Subtotal financial liabilities	2,949	3,526
Tax payables other than income tax	210	590
	3,159	4,116

Trade and other payables are only denominated by Renminbi ("RMB").

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.

23. TRADE AND OTHER PAYABLES-continued

Trade payables comprise amounts outstanding for trade purchase. The average credit period is 30 days from the time when the services are rendered by or goods received from suppliers. The aging analysis of trade payables is as follows:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Current	2,248	2,777

24. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Group
Xie Qiulin	Director of the Group

(2) Significant balances between the Group and the above related parties:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Xie Qiulin	231	667
	231	667

The amount due to Xie Qiulin was unsecured, non-interest bearing and payable on demand.

25. ADVANCE FROM CUSTOMERS

Advance from customers comprise down payment received for trade sales.

Advance from customers are denominated in the following currencies:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Renminbi (“RMB”)	364	336
United States Dollars (“USD”)	3,289	1,675
	3,653	2,011

25. ADVANCE FROM CUSTOMERS-continued

The aging analysis of advance from customers is as follows:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Less than 3 months	820	880
Over 3 months but less than 1 year	2,227	964
Over 1 year but less than 1 and a half years	606	167
	3,653	2,011

26. BANK BORROWINGS

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Secured bank borrowings	-	4,299
Carrying amount repayable within 1 year	-	4,299

The borrowings are fixed-rate and denominated in RMB.

2014-09-30

Bank loans	Amount kEUR	Period		Interest rate	Mortgage	Personal guarantee
#19	186	2014-1-7	2015-1-7	6.00%	Land use right and buildings	Xie Qiulin
#20	641	2014-1-9	2015-1-9	6.00%	Land use right and buildings	Xie Qiulin
#21	1,973	2014-1-21	2015-1-21	6.00%	Land use right and buildings	Xie Qiulin
#22	687	2014-1-24	2015-1-24	6.00%	Land use right and buildings	Xie Qiulin
#23	812	2014-1-28	2015-1-28	6.00%	Land use right and buildings	Xie Qiulin
	4,299					

Assets with the following carrying amounts have been pledged to secure bank borrowings:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Land use right	-	1,016
Buildings	-	4,655
	-	5,671

A personal guarantee was provided by director of the Company, Xie Qiulin for loan amount of kEUR 4,299 among the balances at 30 September 2014 (31 December 2013: Nil).

27. SHARE / PAID-IN CAPITAL

The share / paid-in capital shown in the consolidated statements of financial position is as follows:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Share/paid-in capital	13,000	13,000

The details of the Company's share capital are as follows:

	Numbers of shares	Share capital EUR
Authorized and issued and fully paid		
Ordinary shares of EUR1.00		
each on the date of incorporation,		
at 30 September 2014	13,000,000	13,000,000

28. RESERVES

Share premium

Share premium is non-distributable other than in liquidation and may be utilized for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

Statutory surplus reserve

As stipulated by the relevant laws and regulations applicable to China’s foreign investment enterprises, the Company’s PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriations to such reserve are made out of net profit after tax of the statutory financial statements of the PRC subsidiaries at the amounts determined by their respective boards of directors annually up to 50% of paid-in capital, but must not be less than 10% of the net profit after tax.

The statutory surplus reserve can be used for making up losses of the group entities in China Mainland, if any. The statutory surplus reserve may also be used to increase capital or to meet unexpected or future losses. The statutory surplus reserve is non-distributable other than upon liquidation. Therefore the Company recognized the statutory surplus reserve as a legal reserve following Dutch regulation article 389.6 BW2.

The statutory surplus reserve of the Group amounts to kEUR 2,637 at 30 September 2014 (31 December 2013: kEUR 2,637). The statutory surplus reserve of the Group is related to Fujian Peixin and Quanzhou Peixin.

28. RESERVES-continued

Retained profits

The retained profits comprise the cumulative net gains and losses recognized in the Company's income statement.

Foreign currency translation reserve (other comprehensive income)

Foreign currency translation reserve represents the foreign currency translation difference arising from the translation of the financial statements of companies within the Group from their functional currency to the Group's presentation currency.

29. RELATED PARTY TRANSACTIONS

Compensation to director of the Company

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2013
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Xie Qiulin				
-Short-term employee benefits	18	17	53	51
-Social Welfare	*	*	*	*
	18	**17**	**53**	**51**
Xie Kaida				
-Short-term employee benefits	15	6	15	18
-Social Welfare	*	*	*	*
	15	**6**	**15**	**18**
Dai Hongyan				
-Short-term employee benefits	33	10	33	30
-Social Welfare	*	*	*	*
	33	**10**	**33**	**30**
Li Ya				
-Short-term employee benefits	-	2	-	6
-Social Welfare	-	-	-	-
	-	**2**	**-**	**6**
Shen Ming				
-Short-term employee benefits	-	2	-	6
-Social Welfare	-	-	-	-
	-	**2**	**-**	**6**
Liem Tsong Lucien Tjon				
-Short-term employee benefits	-	1	-	3
-Social Welfare	-	-	-	-
	-	**1**	**-**	**3**
Jaroslaw Dariusz Dabrowski				
-Short-term employee benefits	-	4	-	12
-Social Welfare	-	-	-	-
	-	**4**	**-**	**12**
Wu Rongfu				
-Short-term employee benefits	8	7	24	21
-Social Welfare	-	-	-	-
	8	**7**	**24**	**21**

Personal undertaking loans guaranteed by director of the Company

	3Q 2013	3Q 2014	1-3Q 2013	1-3Q 2014
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Xie Qiulin	3,440	4,299	3,440	4,299

30. CONTINGENCIES

As at 30 September 2014, the Group had no contingencies that needed to be disclosed.

31. COMMITMENTS

As at 30 September 2014, the Group had the following capital commitments in respect of the land use right which were contracted but not fully provided for in the financial statements:

	As at 31 December 2013	As at 30 September 2014
	kEUR	kEUR
Contracted and authorized	5,969	-

32. EVENT AFTER THE REPORTING PERIOD

There are no further significant non-adjusting events or any significant adjusting events to report between the reporting date and the date of preparation of these financial statements.

The interim consolidated financial statements on page A to D as well as selected explanatory notes on page 1 to 30 were approved and authorized for issue by the Board of Directors on November 14, 2014 and are signed on its behalf by:

Xie Qiulin
DIRECTOR

Dai Hongyan
DIRECTOR

Xie Kaida
DIRECTOR

Bas Xue
DIRECTOR

Li Ya
MEMBER OF THE SUPERVISORY BOARD

Shen Ming
MEMBER OF THE SUPERVISORY BOARD

Liem Tsong Lucien Tjon
MEMBER OF THE SUPERVISORY BOARD

Jaroslaw Dariusz Dabrowski
MEMBER OF THE SUPERVISORY BOARD

Wu Rongfu
MEMBER OF THE SUPERVISORY BOARD