Consolidated Financial Report
of PEIXIN International Group N.V.

for the period of three months ended 30th September 2013

3Q 2013

Contents

1. Letter to the Shareholders

Dear Shareholders

Today we have a pleasure to present to the market the first quarterly report of PEIXIN International Group NV for the 3Q 2013.

In terms of business development and financial results, 3Q 2013 was another period of the Group's significant growth. Revenues increased by over 51% yoy, to 15.6 EUR m and the gross profit margin increased to 36.3% compared to 35.7% in 3Q 2012. The increase of revenues, both in terms of value and volume, was a result of stronger sales and marketing activities, especially on key markets. Demand for machines offered by the Group is very sound on the domestic market and we expect it to intensify in the months to come. What is worth mentioning – the sales increase applies especially to units which were more technologically advanced, such as full servo machines, thanks to which we achieved increase in margin, despite rapid growth of business. In addition, in 3Q 2013 the Group was able to increase slightly the price for some models of machines based on the contribution of the technologies.

Consequently the Group's gross profit increased in 3Q 2013 by 54% to 5.7 EUR m from 3.7 EUR m in 3Q 2012, operating profit was up by 63% to 4.9 EUR m from 3 EUR m. The net profit for the period amounted to 4 EUR m, over 66% up from 2.4 EUR m in the comparable period of 2012.

When it comes to geographical breakdown over 3Q 2013 the Group's growth in revenues was mainly generated on domestic market. One of the main reasons for such domestic market development was a visible rebound in manufacturing industry in general and government supportive approach. Nevertheless, following the Group's main strategic goals, overseas marketing team maintains the strong focus on development business in the foreign markets. Moreover, as stated in our strategy, more effort will be put on the direct international sales, especially on the most profitable products, such as full-servo and semi servo machines, in order to slightly maintain or lightly increase the gross margin.

In the coming months the Group will proceed with the implementation of development strategy to continue strengthening its position as a market leader among domestic producers of daily-use hygiene product machines both in terms of revenue and quality and simultaneously to increase its international presence and increase its direct international sales. In the domestic market further growth in daily-use hygiene products is expected due to favorable market conditions confirmed by PMI indices and number of new orders and inquiries. In the overseas markets a further growth in demand for value-for-money products is expected as a result of economic slowdown in developed countries on the one hand, and growing tendency for switching to more sophisticated and state-of-the-art machinery in the developing countries on the other. The Group believes these tendencies will support PEIXIN's growth overseas, however for the future development, the Company shall maintain roughly equal proportions of sales generated both on domestic and international market, leaving some space for deviations due to possibly higher demand from each of its target markets.

In order to be able to response to growing demand in the key strategic markets the Group implemented the first phase of investment plan aimed at increasing production capacity. Currently the Group is analyzing opportunities to purchase land for new production plant. Due to significant investment needs PEIXIN decided to seek financing on the capital market via issuing additional equity and offering it to investors in Poland. Successful entering the Warsaw Stock Exchange, which took place on the 9th October 2013, was a breakthrough moment for the Company. PEIXIN is the first company of Chinese origin traded on the WSE. Once again we would like to thank all investors for putting their trust in PEIXIN's successful development. We will do our best to increase the Company's value for Shareholders.

Sincerely,

Qiulin Xie

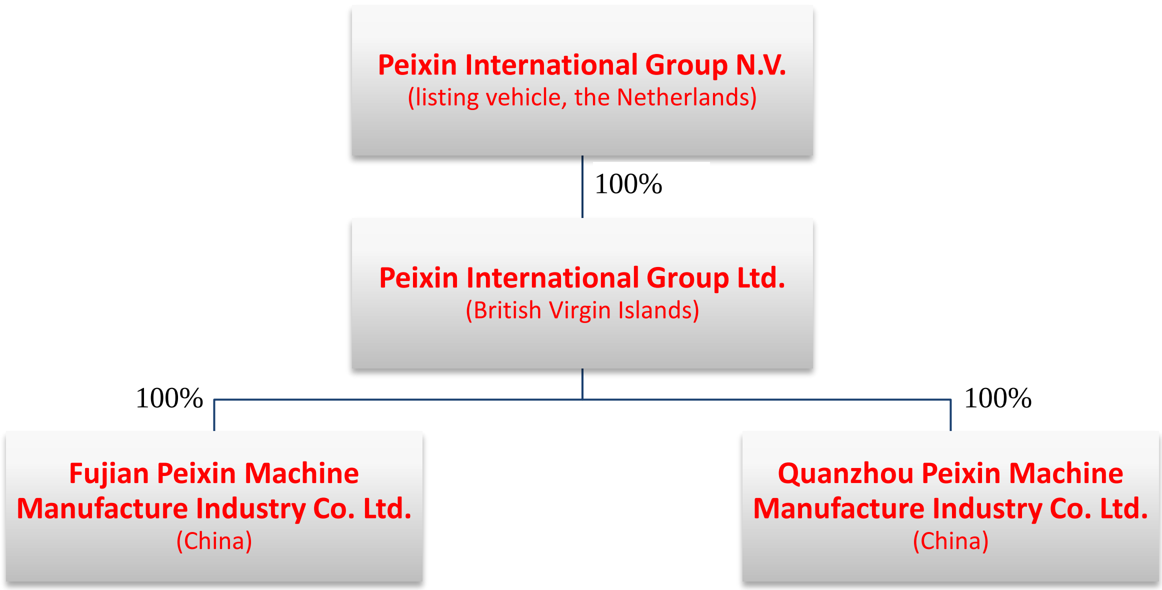
CEO PEIXIN International Group NV

2. *General information about the Group*

Group structure

As of the reporting date i.e. 30th September 2013 the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and three 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 two subsidiaries: Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd.

The structure of the Group is presented below.



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 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. Peixin International Group Ltd. is a sole shareholder of two subsidiaries:

- **Fujian Peixin**, which scope of business includes manufacturing and selling of precision machinery and equipment used for the production of various sanitary
- **Quanzhou Peixin** has no operational activity. The company possesses certain land use rights, real estates and trademarks. Formerly performed operating activities.

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

The effect of changes in the composition of the Group during 2013 on comparative data disclosure

On 14 August 2013 all shares in 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.

Due to the fact that Company was incorporated on 2 July 2013, there is no historical financial information relating to the Company for the year ended 31 December 2012 and for the nine-month period ending 30 September 2012. However, in connection with the acquisition of shares in Peixin International BVI by the Company, comparable data of the Company for the period ended 30th September 2013 i.e. 30th September 2012 are presented with respect to historical statements of Peixin International BVI.

Present Group structure has been designed in a way enabling tax optimization of dividend distribution (BVI-registered entity) and the IPO process in the EU.

The dividend policy assumes 10-50% payout ratio, based on China-based entities' level. The dividend is transferred upwards in the structure and distributed to shareholders. 10% withholding tax is applicable to all earnings distributions outside China, therefore 90% of profits generated by China-based entities are attributable to Peixin International Group N.V. shareholders.

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

Sanitary napkin machines segment:

Automatic Folding Napkin Paper Machine

Semi-automatic Sanitary Napkin Production Line

Diaper machines segment:

Full-servo control full-function baby diaper line

Tissue machine segment:

Semi-servo Pets Pad Line

The Group believes that the key features of its products are high quality and functionality offered at competitive prices. Due to technological development, the life cycle of the Group's products is approximately five years, and follows the life cycle of end products because the design change of the end products and raw materials used in its production require new technology and consequently new machines. This is the reason the Company constantly improves their technology to meet the market demand, obtained and attracted more and more clients.

Over the period 1-3Q 2013, the Group's product shifted more from single unit towards more complex and more functional production lines, which is the main reason to drive the quarter sales.

As of 30th September 2013 the Group offered over 40 models of machines. During 3Q 2013, two more new products were developed and are ready to be introduced to the market.

In response to clients' cyclical demands the Group introduced new models of machines to the offering: 9 new models in 2010, four in 2011, one in 2012 and 2 in 1-3Q 2013.

With nearly 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 Group's business is mainly driven by the daily-use hygiene products market, currently experiencing growth in developing countries. In particular, the market for diapers for babies and elderly people drives the diaper machine market. Due to consistent improvement on the technology, the Group has the ability to produce more sophisticated diaper machines, during the period of 1-3Q2013 the full servo diaper machines are more welcomed and accepted by the clients. In addition, sanitary napkin segment is still supported by the strong market demand on the sanitary napkins. 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, East Europe and South America.

Over 3Q 2013 the Group's growth in revenues was mainly generated on domestic market following more visible increase in manufacturing industry and the incentive and encouragement from the government. Meanwhile, the Groups' overseas marketing team dynamically maintains the strong relationship with the international clients and develops business in the direct overseas market. The high quality products and professional services of the Group not only enhanced the strong brand recognition of "Peixin" but also helped the Group achieve significant increase in 3Q 2013 as more than 90% of sales are contributed by the repeated orders from the current customers.

The Group distributes its products internationally mainly through China-based trading companies who sell the Group's products on 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 such as India, Turkey and the USA by increasing promotional efforts such as targeted advertising and participation in exhibitions. Especially, after the Group successfully participated the Istanbul International Technical Textiles & Nonwoven Trade Fair in June 2013, its products and brand are more recognized on the Turkish market, which is a key sales direction.

3. Selected financial data

'000 EUR	**3Q 2012**	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
revenues	10 303	15 603	32 762	42 998
gross profit	3 677	5 661	12 095	15 832
operating profit	2 991	4 863	9 932	13 472
EBITDA	3 284	5 271	10 833	14 678
profit before tax	2 922	4 813	9 749	13 315
net profit	2 449	3 980	8 203	11 229
cash flow from operating activities	649	9 672	10 499	9 173
cash flow from investing activities	-103	12	-84	102
cash flow from financing activities	705	-736	-5 678	-729
net increase in cash and cash equivalent	1 251	8 948	4 738	6 651

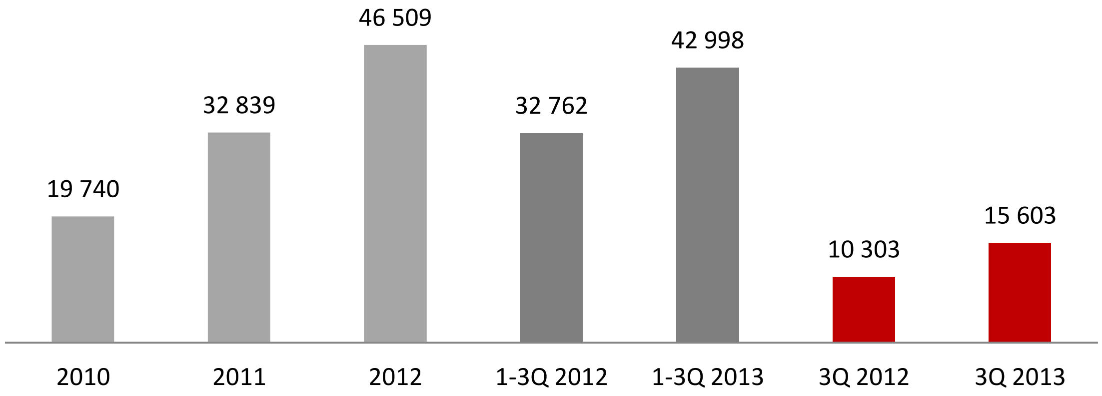
'000 EUR	**31th Dec 2012**	**30th Sept 2013**
non-current assets	12 008	10 859
current assets	22 620	38 543
total assets	34 628	49 402
long-term liabilities	0	0
short-term liabilities	10 498	14 091
total equity	24 130	35 311
paid-in capital	0*	12 000

[1] Due to the fact that Peixin International Group N.V. was incorporated on 2 July 2013, there is no historical financial information relating directly to the Company for the year ended 31 December 2012. However, on 14th August 2013 all shares of Peixin International BVI were contributed to Peixin International Group N.V. 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. The Company is a sole shareholder of Peixin International BVI. In connection with the acquisition of shares in Peixin International BVI by the Company comparable balance sheet data of the Company for the period ended 31 December 2012 for better illustration may be presented with respect to historical statements of Peixin International BVI. As of the 31 December 2012 share capital of Peixin International BVI amounted 41.000 EUR. Please see the Statement of changes in equity in the financial statement, NOTE 34.

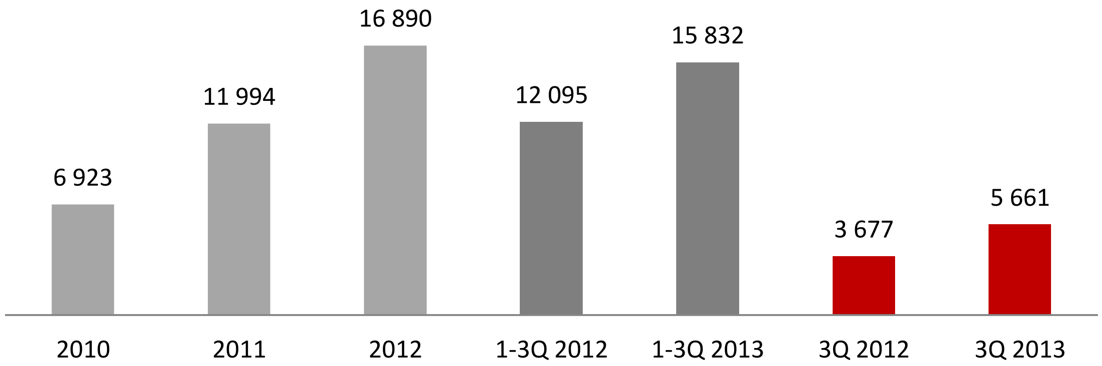
4. Operating and financial review

Key financial charts

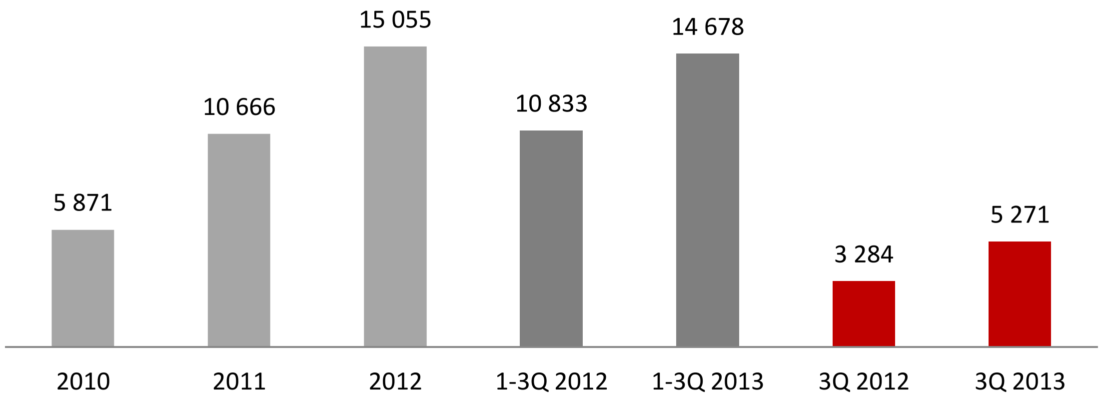
Sales ’000 EUR



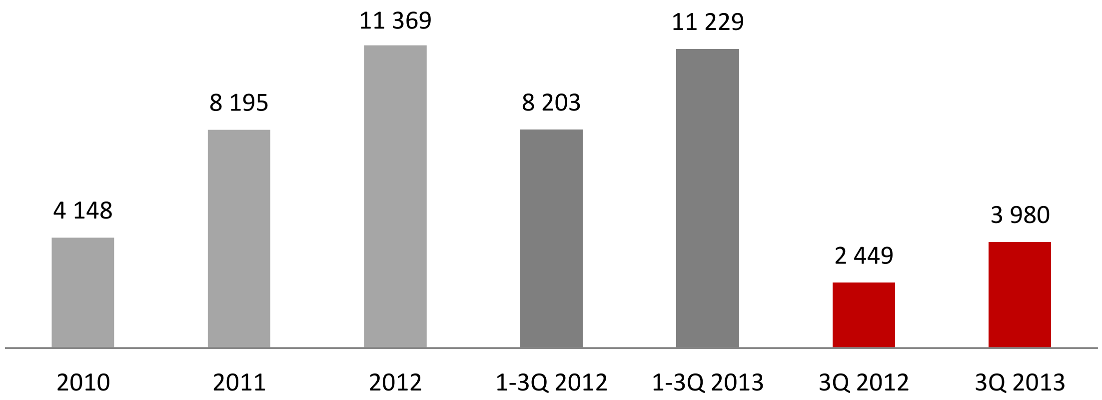
Gross Profit ’000 EUR



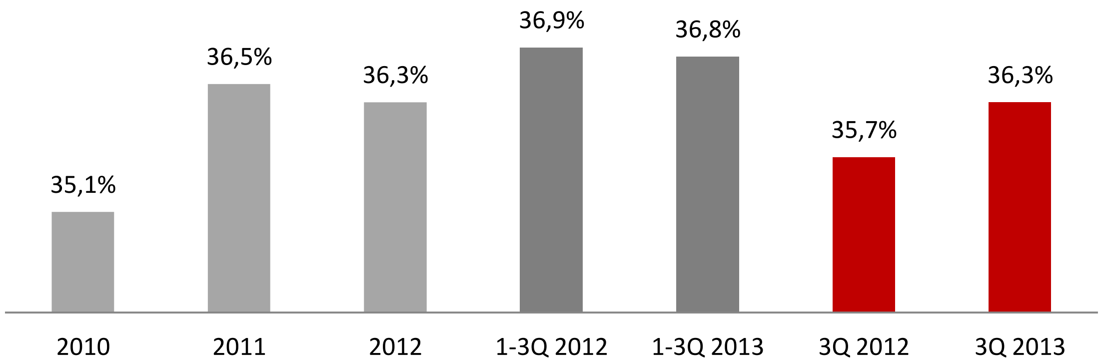
EBITDA ‘000 EUR



Net profit '000 EUR



Gross Profit Margin %



Net Margin %

Profit & loss account

Revenues

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

Revenues increased by EUR 5,300 thousand or 51.4%, from EUR 10,303 thousand for the three-month period ended on 30 September 2012 to EUR 15,603 thousand for the period ended 30 September 2013. The increase of revenues was mainly the result of an increase of sales and number of units sold, especially units which were more technologically advanced such as full servo machines. Moreover, the Group slightly increased the price for some models diaper and tissue machines based on the contribution of the technologies.

Revenues breakdown by segments

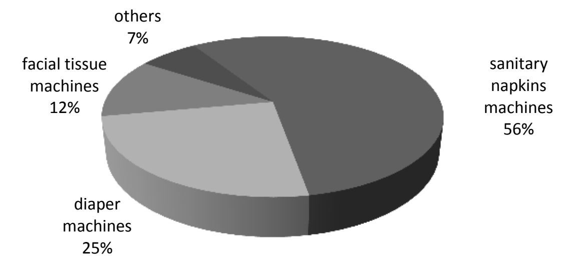
The following table presents the Group's revenues broken down into product categories for 3Q 2012, 3Q 2013, 1-3Q 2012 and 1-3Q 2013.

	3Q 2012		**3Q 2013**		**Change in revenues**
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
				(unaudited)	
Sanitary napkins machines	18	5 804	21	6 757	16.4
Diaper machines	7	2 574	15	5 883	128.6
Facial tissue machines	86	1 239	120	2 177	75.7
Other paper machines	14	686	24	786	14.6
	125	10 303	180	15 603	51.4

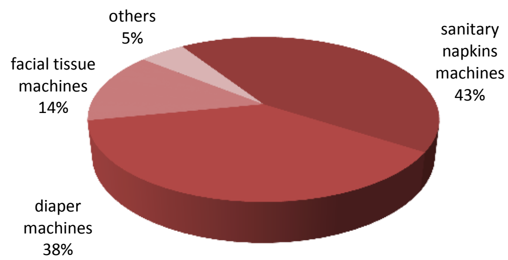
	1-3Q 2012		**1-3Q 2013**		**Change in revenues**
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
				(unaudited)	
Sanitary napkins machines	49	15 373	56	18 996	23.6
Diaper machines	21	10 006	37	15 945	59.4
Facial tissue machines	282	4 956	351	5 897	19.0
Other paper machines	36	2 427	68	2 160	-11.0
	388	32 762	512	42 998	31.2

Sales breakdown by segments for 3Q 2012, 3Q 2013, 1-3Q 2012 and 1-3Q 2013 is presented on charts below.

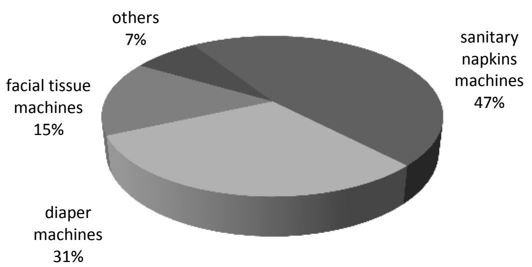
3Q 2012



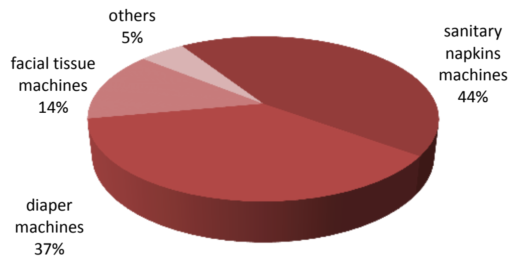
3Q 2013



1-3Q 2012



1-3Q 2013



The Group experienced growth of revenues in sanitary napkins machines segment, mainly as a result of increase of sales of full servo machines in this segment. The Group also experienced the strong growth in diaper machines segment mainly driven by full servo machines sold in this segment. Surge in diaper segment was mainly driven by increased volume of sales whereas average price per unit increased by ca. 7%. The Group enjoyed also a sound growth in the number of units sold in facial tissue machines segment, and other paper machines segment had slight growth of revenues.

Sales geographic breakdown

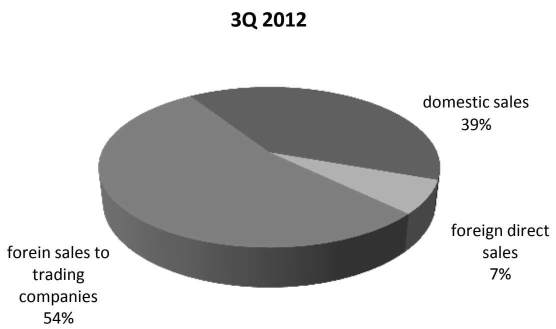
Over 3Q 2013, the Group's growth in revenues was mainly generated on domestic market following more visible increase in manufacturing industry and government supportive approach for the industry. Meanwhile, the Groups' overseas marketing team dynamically maintains the strong relationship with the international clients and develops business in the direct overseas market. The following table presents the Group's revenues broken down by geographical split for 3Q 2012 and 3Q 2013. The Group distributes its products in China directly to its end users. The Group distributes its products internationally (i) through China-based trading companies that sell the Group's products on to customers and (iii) directly to international customers.

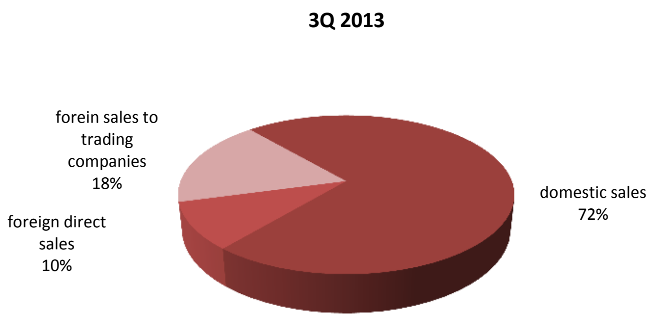
	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	‘000 EUR	**‘000 EUR**	**%**	**‘000 EUR**	**‘000 EUR**	**%**
Revenue:						
Direct sales						
-Mainland China	4 078	11 326	177.7	17 718	27 143	53.2
-Outside Mainland China	694	1 505	116.9	1 433	3 284	129.2
Sales to trading companies	5 531	2 772	-49.9	13 612	12 571	-7.6
Total	**10 303**	**15 603**	**51.4**	**32 762**	**42 998**	**31.2**

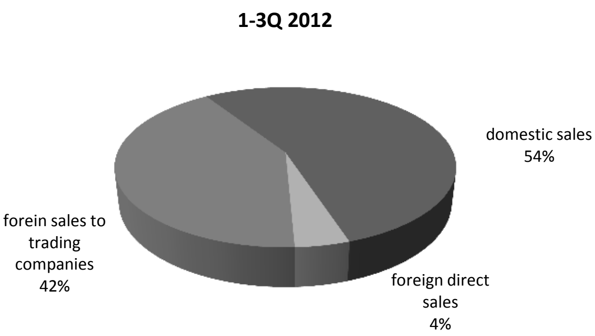
Number of units sold

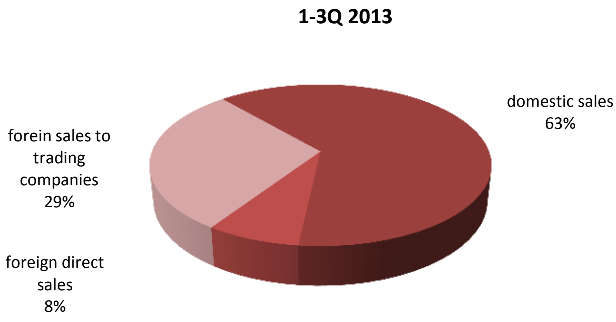
	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
Revenue:				
Direct sales				
-Mainland China	82	125	211	344
-Outside Mainland China	11	3	34	24
Sales to trading companies	32	52	143	144
Total	**125**	**180**	**388**	**512**

Sales geographic breakdown for the period 1-3Q 2012 and 1-3Q 2013 is presented on charts below.









The increase of direct sales in mainland China was a result of the increased sales of sophisticated machines, especially full servo sanitary napkins machines and diapers machines. For the revenue generated from outside mainland China, though only 3 units were sold, they were technologically advanced full servo machines of higher value. The increase in direct sales to mainland China and outside mainland China was mainly the result of the Group's focus on direct sales in line with the Group's strategy. Over 3Q 2013, though the total international sales decreased, the Group still would like to keep the strong development on overseas market, and more effort will be put on the direct international sales, especially on the highly profitable products, such as full-servo and semi servo machines in order to slightly increase the gross margin. On the other hand, the group also sticks on sales platforms and opportunities provided by the distributors.

Cost of Goods Sold

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

	3Q 2012	**3Q 2013**	**Change**	**1-3Q 2012**	**1-3Q 2013**	**Change**
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
			(unaudited)			**(unaudited)**
Changes in inventories of finished						
goods and work in progress	794	-2 262	-	-3 058	-3 868	-
Materials consumed in production	5 137	10 241	99.4	20 603	25 526	23.9
-Glue machines and motors	1 953	4 193	114.7	7 025	10 063	43.2
-Steel	886	1 496	68.8	4 718	4 004	-15.1
-Electric controllers	896	2 033	126.9	3 202	4 850	51.5
-Knife roller\cylinder	198	394	99.0	829	1 030	24.2
-Other components	924	1 753	89.7	3 708	4 619	24.6
-Auxiliary materials	282	372	31.9	1 119	959	-14.3
Labour	592	961	62.3	1 839	2 600	41.4
Depreciation and amortization	185	290	56.8	560	874	56.1
Outsourced manufacturing cost	219	410	87.2	687	1 067	55.3
Taxes and surcharges *	108	156	44.4	285	380	33.2
Water and electricity	82	152	85.4	261	395	51.4
Others	18	178	888.9	238	238	0.0
Foreign currency translation difference	-509	-183	-	- 746	- 44	-
Total	**6 626**	**9 942**	**50.0**	**20 668**	**27 166**	**31.4**

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 cost of sales (the cost of production reconciled by changes in inventories of finished goods and work in progress and foreign currency translation differences) amounted to EUR 6,626 thousand in 3Q 2012 and increased up to EUR 9,942 in 3Q 2013. Cost of production increased by EUR 6,047 thousand or 95.4% in 3Q 2013 compared to 3Q 2012, whereas the cost of sales in 3Q 2013 increased by 50% as compared to the same period of 2012. The higher growth of the costs of the production for the period was mainly the result of increase in material consumed in production, mainly glue machines and motors and electric controllers which are required for production of the sanitary and diaper machines.

Another important factor which affected the production cost was the cost of labour, which grew by 62.3 % year over year, triggered by the increase in both the number of working hours and the average hourly wages for employees. The outsourced manufacturing cost also significantly increased due to internal capacity is approaching the limitation and certain level of outsourcing will help to release the stress of production capacity. Despite this fact, labour costs still does not constitute significant part of COGS, compared to the materials' share.

Gross profit

Gross profit increased by EUR 1,334 thousand, or 36.2%, from EUR 3,677 thousand in 3Q 2012 to EUR 5,011 thousand in 3Q 2013.

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

	3Q 2012	**3Q 2013**	change	**1-3Q 2012**	**1-3Q 2013**	change
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
			(unaudited)			**(unaudited)**
Segment gross profit						
Sanitary napkins machines	2 094	2 501	19.4	5 699	7 123	25.0
Diaper machines	897	2 077	131.5	3 657	5 863	60.3
Facial tissue machines	436	794	82.1	1 770	2 095	18.4
Other paper machines	250	289	15.6	968	751	-22.4
Total	**3 677**	**5 661**	**54.0**	**12 094**	**15 832**	30.9

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

	3Q 2012	**3Q 2013**	**Change**	**1-3Q 2012**	**1-3Q 2013**	**Change**
	'000 EUR	**'000 EUR**	**p.p.**	**'000 EUR**	**'000 EUR**	**p.p.**
			(unaudited)			**(unaudited)**
Segment gross margin						
Sanitary napkins machines	36.1	37.0	0.9	37.1%	37.5%	0.4
Diaper machines	34.8	35.3	0.5	36.5%	36.8%	0.2

Facial tissue machines	35.2	36.0	0.8	35.7%	35.5%	-0.2
Other paper machines	36.4	36.8	0.4	39.9%	34.8%	-5.1
Total gross margin	**35.7**	**36.2**	**0.5**	**36.9%**	**36.8%**	**-0.1**

Other income/expenses

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

	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
			(unaudited)			(unaudited)
Interest income on bank deposits	8	12	50	28	102	259.5
Government grant	2	-	-	53	-	-100.0
Rental income	22	26	18.2	33	44	31.7
Sales of spare parts	33	64	93.9	51	191	275.7
Total	**65**	**102**	**56.9**	**166**	**337**	**103.3**

Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
		(unaudited)			(unaudited)	
Staff costs	101	128	26.7	324	376	16.0
Marketing and advertising costs	30	35	16.6	241	165	-31.5
Post-sales services costs	10	44	340	75	117	56.2
Traveling costs	12	13	8.3	59	42	-29.6
Depreciation	2	2	0	7	5	-32.0
Others	50	26	-48	37	80	114.9
Total	**205**	**248**	**21**	**744**	**785**	5.5

Staff costs

Staff costs constituted 49.3% of the Group's distribution and selling expenses for 3Q 2012 and 51.6% for the 3Q 2013. Staff costs increased by EUR 27 thousand, or 27.7%, from EUR 101 thousand in 3Q 2012 to EUR 128 thousand in 3Q 2013 mainly as a result of the increased sales commission based remuneration of selling staff.

Post-sales services costs

Post-sales services costs increased by EUR 34 thousand, or 340%, from EUR 10 thousand in 3Q 2012 to EUR 44 thousand in 3Q 2013 mainly as a result of increased of spare parts cost which the group provided more service for its products to the clients during the warranty period.

Administrative expenses

Administrative expenses increased by EUR 136 thousand, or 54.2%, from EUR 251 thousand in 3Q 2012 to EUR 387 thousand in 3Q 2013.

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

	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
		(unaudited)			(unaudited)	
Staff costs	74	91	23	222	275	24.0
Depreciation and amortisation charges	91	90	-1.1	291	274	-5.9
Entertainment and office expenses	35	64	82.9	121	159	30.8
Miscellaneous taxes	5	61	1120.0	71	148	108.6
Professional service fee	-	18	100.0	-	148	-
Others	46	63	37.0	170	132	-22.8
Total	251	387	54.2	875	1 134	29.6

In the 3Q 2013 the Group also paid a one-off professional service fee in connection with preparations for the Company's initial public offering.

Research and Development Expenses

Research and development expenses decreased by EUR 30 thousand, or 10.2%, from EUR 295 thousand in 3Q 2012 to EUR 265 thousand in 3Q 2013 mainly as a result of less materials were input for the R&D project compare to the same period of last year. This is the material change comparing to research and development material expenses witnessed during first half of the year 2012 and 2013, when research and development material expenses increased by EUR 103 thousand, or 52%, from EUR 198 thousand for the six-month period ended 30 June 2012 to EUR 301 thousand for the six-month period ended 30 June 2013 mainly as a result of cost of materials which was mainly a result of intensive research and the development on the new servo machines, such as the full servo baby training pants machine. Therefore, material on R&D was not significantly consumable.

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

	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
		(unaudited)			(unaudited)	
Materials	183	160	-12.6	381	461	21.0
Staff costs	108	104	-3.7	318	312	-1.9
Depreciation charges	3	1	-66.7	9	5	-44.4
Total	**295**	**265**	**-10.2**	**708**	**778**	**9.9**

Balance sheet

Non-current assets

Property, plant and equipment

Property plant and equipment decreased by EUR 970 thousand, or 10.1%, from EUR 9,574 thousand as at 31 December 2012 to EUR 8,604 thousand as of 30 September 2013.

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 2012 and 30 September 2013.

	31/12/2012	30/09/2013	Change
	'000 EUR	'000 EUR	%
		(unaudited)	
Raw materials and consumables	3 171	3 139	-1.0
Work in progress	1 028	7 244	604.7
Finished goods	2 535	216	-91.5
Total	**6 734**	**10 599**	**57.4**

The level of a particular segment: raw materials, work in progress and finished goods, depends on the timing of the orders placed by the clients. The Group received an increased number of orders from clients and more machines were under construction, consequently work in progress increased. On the other hand finished goods level decreased as finished machines were delivered to the clients.

Trade and other receivables

Trade receivables constituted the majority of trade and other receivables as of 30 September 2013. The majority of the remaining other receivables constituted prepayments.

Trade and other receivables increased by EUR 5,548 thousand, from EUR 4,429 thousand as of 31 December 2012 to EUR 9,977 thousand as of 30 September 2013. As of 30 June 2013 trade and other receivables amounted to EUR 14,407 thousand and as of 31 July 2013 amounted to EUR 8,045 thousand.

The increase, comparing to the beginning of the year, was mainly the result of dynamic growth of sales throughout the 1-3Q 2013 period. On top of that Group improved payment terms for selected customers (including through extended payment periods). It was offered to its main customers in China, in particular to those with whom the Group had a long-lasting commercial relationship and who were in the process of market consolidation and might create significant bigger demand for Group's machines afterwards.

During 3Q of 2013 Group managed to collect significant part of receivables and reduce amount of receivable by EUR 4,430 thousand comparing to 30 June 2013. Nevertheless Group intends to continue offering extended payment period for selected domestic customers in the future which is expected to result in increased demand for machinery from such entitles in the future.

Bank balances and cash

Bank balances and cash increased by EUR 6,510 thousand, or 56.5%, from EUR 11,435 thousand as of 31 December 2012 to EUR 17,945 thousand as of 30 September 2013.

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 1,411 thousand, or 65%, from EUR 2,210 thousand as of 31 December 2012 to EUR 3,651 thousand as of 30 September 2013. The increase was mainly the result of significant purchases of raw materials and components necessary for the completion of the orders.

Indebtedness

The Company doesn't have any long term debt. The table below presents the short-term debt as of 30 September 2013.

Bank loans	**Amount '000 EUR**	**Period**		**Interest rate**	**Mortgage**	**Personal guarantee**
#15	174	2012-11-05	2013-11-05	6.00%	Land use right and buildings	Xie Qiulin
#16	1,856	2012-11-21	2013-11-21			
#17	646	2012-11-27	2013-11-27			
#18	764	2012-12-05	2013-12-05			
	3,440					

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 31st December 2012 (EUR 4,034 thousand) and as of 30th September 2013 (EUR 3,440 thousand) were secured.

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

	As at 31 December 2012 '000 EUR	As at 30 September 2013 '000 EUR
Land use right	987	973
Buildings	4,820	4,595
	5,807	5,568

A personal guarantee was provided by CEO of the Company, Mr. Qiulin Xie for EUR 3,545 thousand among the balances at 30 September 2013.

Advance from customers

Advance from customers increased by EUR 2,546 thousand, or 71.1%, from EUR 3,582 thousand as of 31 September 2012 to EUR 6,128 thousand as of 30 September 2013. The increase was mainly the result of the Group receiving an increased number of orders from clients in the period preceding 30 September 2013.

Non-current liability

In the period covered by the consolidated interim financial statement, the Group did not have non-current liabilities.

Capital and reserves.

Capital and reserves increased by EUR 11,179 thousand, or 46.3%, from EUR 24,130 thousand as of 31 December 2012 to EUR 35,309 thousand as of 30 September 2013. The increase was mainly the result of retained profits.

Cash flow

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
		(unaudited)		
net cash from operating activities	649	9 672	10 499	7 278
net cash from investing activities	-103	12	-84	102
net cash from financing activities	705	-736	-5 678	-729
net movement in cash and cash equivalents	**1 251**	**8 948**	**4 738**	**6 651**
- exchange difference	2 573	-677	2 696	-141
cash at the beginning of the period	**7 611**	**9 674**	**4 002**	**11 435**
cash at the end of the period	**11 435**	**17 945**	**11 435**	**17 945**

In 3Q 2013 the Group generated EUR 9,672 thousand from operating activities thanks to high profit and more favourable payment terms from suppliers – in 3Q the Group purchased significant amount of raw materials and components. The Group cumulates cash to commence another phase of investments targeted at increasing production capacity and to finance sales and working capital to be increased in the months to come.

5. Key factors affecting operating and financial results

Unusual items, one-off events

Over 3Q 2013 and 1-3Q 2013 there were no significant unusual items or one-off events which affected the Group's operating and financial results.

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

Over 3Q 2013 and 1-3Q 2013 no important events or transactions took place that are significant for the financial position of the Group.

Seasonality

The Group's business is 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, more sales are normally generated in the fourth quarter of the year due to the fact that clients want to get the product by the end of the year in order to start the business after the Chinese New Year holiday period.

Events after the interim period that have not been reflected in the financial statements for the interim period /material subsequent events/

Due to significant investment needs in order to increase production capacity the Company decided to seek financing on the capital market via issuing additional equity and offering it to investors. In 2013 the Company executed the process of approving the issuing prospectus and applied for admitting its shares to trading on the regulated market of the Warsaw Stock Exchange in Poland. The prospectus was filed with and was approved on 13 September 2013, by the Netherlands Authority for the Financial Markets .

At the end of September 2013 the Company made an initial public offering for up to 4,000,000 shares at the maximum share price of 25 PLN. Retail investors subscribed for shares in the period 18-25 September 2013 at the maximum price and book-building process among institutional investors took place 18-26 September 2013. On 27th September the Company settled the offering price at 16 PLN and determined the final number of shares offered at 1,000,000. The subscription for institutional investors took place 27 September – 1 October 2013.

On 1st October 2013 the Company's Management Board approved a resolution on allotment of 1,000,000 shares at the price of 16 PLN in the following manner: 800,000 shares allocated to institutional shareholders and 200,000 allocated to retail shareholders. The first day of trading in the Company's shares was settled on 9th October 2013 and the share price gained in value for several consecutive trading days.

As the result of the initial public offering the Company raised PLN 16,000,000 gross proceeds which after deduction of cost of the offering are going to support the Company's investment plan. Please refer to the part Strategy implementation of this quarterly report for further details regarding investment plan.

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

Not applicable to the Company and the Group.

6. Strategy implementation

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 strategy:

- Extend sales in China to benefit from the expected growth in the daily-use hygiene product industry there and expand its international coverage.
- Establish two international sales directions: the world's developing regions (India, South Africa and South America), and some already-developed markets (North America, Turkey and Central and Eastern Europe).
- Strengthen brand recognition.
- Further focus on R&D and quality enhancement
- Further increase production capacity

In 3Q 2013 due to faster growth of demand for machinery on domestic market the Group realized a more significant growth on that market comparing to growth of international sales. Nevertheless Group would like to continue building up its presence both of domestic and international markets. On international markets, Group's strategy assumes selling smaller and lower margin machines via trading companies and concentrate sales of more sophisticated machinery in direct sales distribution channel witch was reflected in 3Q 2013 results as well.

Significant investment/CAPEX

Company intends to continue with its investment plan. The first investment phase, including mainly machinery purchase shall be completed by December 2013. Due to lower than assumed proceeds from external financing sources the Group revised its investment plan, mainly in terms of timing.

Key assumptions of the investment plan outlined for the years 2013-2014 are specified in the table below.

EUR m	**Investment Amount**	**Investment Period**
Land	10,0 - 12,0	4Q 2013 – 2Q 2014
Plant	6,0 – 8,0	3Q 2013 – 3Q 2014
Machines	5,0 – 6,0	3Q 2013 – 4Q 2013
	6,0 – 8,0	2Q 2014 – 3Q 2014
R&D	3,0 – 5,0	2Q 2014 – 2Q 2014
Improvement	1,5 – 2,5	3Q 2013 - 4Q 2013

With respect of the present business environment the Company is considering to spend EUR 10,0-12,0 m for land to secure area for further capacity growth (for the sake of clarity: according to information provided in Prospectus during second phase of investment plan implementation planned 4Q 2013 – 2Q 2014, the Company primarily intended to invest in land approx. 9.3 EUR m). Company intends to purchase land (land use right) within special economic zones, dedicated for industrial use. Currently the Company is examining capabilities of two different economic zones (ca. 60 km and 100 km from Company's premises). Depending on outcome of the research, the final decision is expected to be made by the end of 2013. As soon as the land is purchased, the Company shall start with preparation for plant construction (including i.a. levelling off the ground) and workshop construction. Based on availability of both external and internal financing, the plant construction should be divided into several stages and completed around 3Q 2014.

7. Risk factors

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. From Jan-Sept 2013, 7.6% of the Group's sales were in USD which is 74.6% higher than the same period of 2012. In the next 3-5 years, the Group would like to focus on direct international sales in order to increase the margin and close the 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 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 Groups 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.

At the end of September 2013, the Group's distribution network consists of 28 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, including the provinces of Chongqing, Henan, and Hunan. 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. 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.

8. 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.

Peixin International BVI paid dividends from the net profits of 2009, 2010 and 2011 of EUR 1,124 thousand, EUR 3,207 thousand and EUR 6,267 thousand respectively.

The declaration and payment of future dividends will depend on the Group's operating results, financial condition, other cash requirements including capital expenditure, the terms of borrowing arrangements (if any) and other factors deemed relevant by the Directors. Final dividends paid by the Company must be approved by an ordinary resolution of the Company's shareholders at a general meeting and must not exceed the amount recommended by the Directors. The Directors may, without the approval of the Company's shareholders, also declare an interim dividend. The Group must pay all dividends out of profits.

The Management Board intends for the Company not to pay the dividend in 2013 from net profit for 2012 due to the current and planned investment needs. Subject to provision of law and financial conditions and the Group's investment plan, the Management Board intends for the Company to distribute the following dividend levels in the following years:

- 10% of the distributable net profit for 2013;
- 10-30% of the distributable net profit for 2014 and 2015;
- up to 50% - of the distributable net profit for 2016 and later.

The dividend policy will be reviewed from time to time 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.

9. Issues, repurchases and repayments of debt and equity securities

Within the period covered by the report the Company did not issue any debt securities nor made any repurchases or repayments of debt or equity securities.

At the end of September 2013 the Company made an initial public offering for up to 4,000,000 shares at the maximum share price of 25 PLN. Retail investors subscribed for shares in the period 18-25 September 2013 at the maximum price and book-building process among institutional investors took place 18-26 September 2013. On 27th September the Company settled the offering price at 16 PLN and determined the final number of shares offered at 1,000,000. The subscription for institutional investors took place 27 September – 1 October 2013.

On 1st October 2013 the Company's Management Board approved a resolution on allotment of 1,000,000 shares at the price of 16 PLN in the following manner: 800,000 shares allocated to institutional shareholders and 200,000 allocated to retail shareholders.

The shares were admitted to trading on the regulated market of the Warsaw Stock Exchange in Poland.

After the equity raise the Company's share capital comprises 13,000,000 shares with a nominal value of EUR 1 each.

10. Outlook

Focus on the following international sales directions: one in the world's developing regions, and one in the already-developed markets

Developing regions can be characterized by small penetration of daily use disposable hygienic products as well as growing wealth. Favorable demographics on top of the previous factors translates to high growth potential for hygienic products. From the perspective of the machinery used for manufacturing hygienic products, developing countries to a great extent depend on old-fashioned, outdated machinery, due to the historically lower purchasing power as opposed to more developed regions of the world. Currently, the Group observes a growing tendency for switching to more sophisticated and state-of-the-art machinery, which creates additional demand, not only due to growing demand for the consumer end-product but also due to exchanging currently used machinery. However, discrepancies in purchasing power will remain, therefore developing countries will create a higher demand to cost effective products (that can be offered by the Group) rather than those of the biggest international players offering more expensive, high-end items. The Group assumes that the most promising regions within the emerging world are India, South Africa and Turkey, whereas in the mid-term it plans to focus mainly on India.

Most of the developed countries currently suffer from economic slowdown to some extent. Although producers in developing countries have relatively higher purchase power, due to the current economic situation they tend to be more cost-aware and therefore look towards greater value-for-money. The Group believes this trend creates an opportunity in the future to introduce and successfully market its most sophisticated and complex products, entering the markets which historically were dominated by the biggest international players. The Group considers the biggest potential within the developed world to be in North America, Turkey and Central and Eastern Europe, whereas its mid-term strategy is to focus on Turkey and the US.

Development on the domestic market by taking the advantage of leading market position among Chinese manufacturers by means of the significant scale of business operations size, advanced technology and strong brand recognition

Because of the increasing demand for the hygienic products fundamentally in China, the Group is shooting on the big stake on the domestic market. The Group believes that it has had a leading position among Chinese manufacturers of machines producing daily-use hygiene products since 2000, and is one of the largest domestic producer of machines producing daily-use hygiene products in China in terms of revenues for 2012, according to the Group's estimates based on publicly available data. The size of the Group provides it with significant competitive advantages over most of its domestic Chinese competitors. In particular, the Group believes that it is able to manage its production more flexibly and source raw materials and components more cost efficiently than most of its domestic Chinese competitors, and enjoy the benefit of the economy of scale. Moreover, the Group has a strong ability to operate the business, it can afford the high-precision machine to produce advanced technology product to the clients. The high technology allows the production of more precise production lines and machines and the quality gap with international players to be closed, while providing a significant advantage over most of its domestic Chinese competitors. High quality and advanced technology products attracted more and more customers came back to the Group, the brand recognition also get increased.

The Company shall maintain roughly equal proportions of sales generated both on domestic and international market, leaving some space for deviations due to possibly higher demand from each of its target markets.

The domestic daily use hygiene market is on the implementation stage for the M&A and consolidation due to uncontrollable pollution issue which is caused by the small to medium size hygiene products producers. They have been warning or enforced shut down by the government, consequently, their market shares will be taken over by those medium or larger hygienic producers. Some of them are the Group’s clients already, some are the target clients, and the Group is going to develop aggressively in this area. The Group believes this turbulence will be lasting for the next one or two years. For the existing clients, the Group would like to provide some better payment terms in order to help them to complete the consolidation; moreover, the Group’s business will become bigger if its clients are stronger. It also helps the Group take more markets shares little by little.

11. Other information

Share capital structure

As of the reporting date i.e. 30th September 2013 the Company's share capital consisted of 12,000,000 ordinary shares with a nominal value of EUR 1 each.

On 1st October 2013 the Company's Management Board approved a resolution on allotment of 1,000,000 shares at the price of 16 PLN. After the equity raise the Company's share capital comprises 13,000,000 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.

Shareholders' structure

As of 30th September 2013 the Company's shareholding structure was as follows:

Shareholder	**number of shares**	**% in the share capital**
Mr Qiulin Xie (Principal Shareholder)	10,500,000	87.50%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	5.00%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	5.00%
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)	300,000	2.50%
Total	**12,000,000**	**100%**

As of 30th September 2013, 87.5% of the Company's share capital was held by the current CEO Mr Qiulin Xie. The Company's minority shareholders include: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited, investment vehicles established in the British Virgin Islands and controlled by private individuals.

On 1st October 2013 the Company's Management Board approved a resolution on allotment of 1,000,000 shares at the price of 16 PLN. After the equity raise the Company's share capital comprises 13,000,000 shares with a nominal value of EUR 1 each.

As of the date of publication of this quarterly report the Company's shareholding structure including shareholders holding at least 5% in the Company's share capital is as follows:

Shareholder	**number of shares**	**% in the share capital**
Mr Qiulin Xie (Principal Shareholder)	10,500,000	80.77%
others	2,500,000	19.23%
Total	**13,000,000**	**100%**

Changes in ownership of shares and rights to shares by Management Board members in the three months ended 30 September 2013 and until the date of publication of this report

As of the reporting date the only Management Board member who held the Company's shares was Mr Qiulin Xie, the Company's CEO who held 10,500,000 shares and holds the same number of shares as of the date of publication of this quarterly report. Mr Qiulin Xie didn't hold as of 30th September 2013 and doesn't hold as of the date of publishing of this quarterly report any rights to shares. As the result of the public offering (allotment date on 1st October 2013) the ownership of Mr Qiulin Xie was diluted from 87.5% down to 80.77% in the share capital.

None of the other Management Board members held Company's shares or rights to shares in the period of three months ended 30 September 2013 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.

Changes in ownership of shares and rights to shares by Supervisory Board members in the three months ended 30 September 2013 and until the date of publication of the report

None of the Supervisory Board members held Company's shares or rights to shares in the period of three months ended 30 September 2013 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.

12. Statement of the Management Board of Peixin International Group N.V. on compliance of the condensed consolidated interim financial statements

The Management Board of Peixin International Group N.V. hereby represent that to the best of their knowledge the condensed consolidated interim financial statements of Peixin International Group N.V. for the period ended 30 September 2013 and the comparable information are prepared in accordance with the applicable accounting standards and that they give a true, fair and clear view of the assets, financial standing and financial results of Peixin International Group N.V. and that the interim statement for the nine months ended 30 September 2013 gives a true view of the developments, achievements and situation of the Peixin International Group N.V., including a description of the key risks and threats.

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 ---

15 November 2013,

Amsterdam, The Netherlands

Caution note regarding forward-looking statements

Certain statements contained in this interim statement may constitute forecasts and estimates. There are risks, uncertainties and other factors that could cause actual results to differ from the forecasts and estimates, or implied by these forward-looking statements.

PEIXIN INTERNATIONAL GROUP N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2013

Contents:

Introduction

Group structure

As of the reporting date i.e. 30th September 2013 the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and three 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 two subsidiaries: Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd.

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 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. Peixin International Group Ltd. is a sole shareholder of two subsidiaries:

- **Fujian Peixin**, which scope of business includes manufacturing and selling of precision machinery and equipment used for the production of various sanitary
- **Quanzhou Peixin** has no operational activity. The company possesses certain land use rights, real estates and trademarks Formerly performed operating activities.

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

The effect of changes in the composition of the Group during 2013 on methods of comparative data disclosure

Due to the fact that Peixin International Group N.V. was incorporated on 2 July 2013, there is no historical financial information relating to the Company for the year ended 31 December 2012 and for the nine-month period ending 30 September 2012. However, in connection with the acquisition of shares in Peixin International BVI by the Company comparable data of the Company for the period ended 30th September 2013 i.e. 30th September 2012 are presented with respect to historical statements of Peixin International BVI.

All shares in Peixin International BVI were contributed to Peixin International Group N.V. on 14th August 2013 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 Group N.V. condensed consolidated interim financial statements

as at and for the three months ended 30 September 2013

all data in thousand EUR, unless stated otherwise

Consolidated statement of comprehensive income

	Notes	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
		‘000 EUR	**’000 EUR**	**‘000 EUR**	**‘000 EUR**
Revenue	8	10 303	15 603	32 762	42 998
Cost of sales	9	-6 626	-9 942	-20 667	-27 166
Gross profit		**3 677**	**5 661**	**12 095**	**15 832**
Other income	10	65	102	166	337
Distribution and selling expenses	11	-205	-248	-744	-785
Administrative expenses	12	-251	-387	-877	-1 134
Research and development expenses	13	-295	-265	-708	-778
Profit from operations		**2 991**	**4 863**	**9 932**	**13 472**
Other gains and losses	14	-3	5	-1	23
Finance costs	15	-66	-55	-182	-180
Profit before tax		**2 922**	**4 813**	**9 749**	**13 315**
Income tax expense	16	-473	-833	-1 545	-2 084
Profit for the period	**17**	**2 449**	**3 980**	**8 203**	**11 231**
Other comprehensive income					
Currency translation differences		-866	-990	-2 970	-95
Total comprehensive income for the period		**1,583**	**2 990**	**5 234**	**11 136**
Attributable to:					
Owners of the Company		1 583	2 990	5 234	11 136
Minority interest		0	0	0	0
Earnings per share - basic EUR	**20**	**49**	**81**	**164**	**225**

PEIXIN International Group N.V. condensed consolidated interim financial statements

as at and for the three months ended 30 September 2013

all data in thousand EUR, unless stated otherwise

Consolidated statement of financial position

	Notes	31/12/2012	30/09/2013
		‘000 EUR	‘000 EUR
Property, plant and equipment		9 574	8 604
Prepaid lease payments		965	951
Investment properties		659	637
Other deferred assets		810	667
Non-current assets		**12 008**	**10 859**
Inventories	21	6 734	10 599
Trade and other receivables	23	4 429	9 977
Prepaid lease payments		22	22
Bank balances and cash	24	11 435	17 945
Current assets		**22 620**	**38 543**
Trade and other payables	25	2 210	3 651
Advance from customers	26	3 582	6 128
Income tax payable		672	872
Bank borrowings	27	4 034	3 440
Current liabilities		**10 498**	**14 091**
Non-current liabilities		**0**	**0**
Paid-in capital	28	41	12 000
Total reserves	29	24 089	23 311
Total equity		**24 130**	**35 311**

The consolidated financial statements on page 39 to 71 were approved and authorized for issue by the Management Board of Peixin International Group N.V. on 14 November 2013 and are signed on its behalf by:

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

PEIXIN International Group N.V. condensed consolidated interim financial statements

as at and for the three months ended 30 September 2013

all data in thousand EUR, unless stated otherwise

Consolidated statement of cash flow

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
OPERATING ACTIVITIES				
Profit before tax	2 922	4 813	9 750	13 315
Adjustments for:				
Finance costs	66	55	182	180
Interest income	-8	-12	-28	-102
Depreciation of property, plant and equipment	226	341	701	1 006
Amortisation of prepaid lease payments	6	6	17	17
Amortisation of investment properties	12	12	36	36
Amortisation of other deferred assets	49	49	147	147
Loss (gain) on disposal of property, plant and equipment	0	0	0	0
Operating cash flows before movements in working capital	**3 273**	**5 264**	**10 805**	**14 599**
(Increase) / Decrease in inventories	582	-1 450	-3 184	-3 865
(Increase) / Decrease in trade and other receivables	-196	4 430	-1 300	-5 548
(Increase) / Decrease in related parties receivables	-409	0	0	0
(Increase) / Decrease in pledged bank deposits	0	0	479	0
Increase / (Decrease) in related parties payables	-332	0	0	0
Increase / (Decrease) in trade and other payables	5 234	519	5 242	1 441
Increase / (Decrease) in advance from customers	-6 876	1 686	0	2 546
Cash generated from operations	**1 276**	**10 449**	**12 042**	**9 173**
Income taxes paid	-627	-777	-1 543	-1 895
Net cash from operating activities	**649**	**9 672**	**10 499**	**7 278**
INVESTING ACTIVITIES				
Interest received	8	12	28	102
Purchase of property, plant and equipment	-111	0	-112	0
Proceeds on disposal of property, plant and equipment	0	0	0	0
Net cash used in investing activities	**-103**	**12**	**-84**	**102**
FINANCING ACTIVITIES				
Interest paid	-66	-55	-182	-180
Dividends paid	0	0	-6 106	0
New bank loans raised	160	0	611	0
Repayment of borrowings	611	-726	0	-594
Capital injection		45		45
Net cash used in financing activities	**705**	**-736**	**-5 678**	**-729**
Net increase in cash and cash equivalent	**1 251**	**8 948**	**4 738**	**6 651**

all data in thousand EUR, unless stated otherwise

Effects of currency translation	2 573	-677	2 696	-141
Cash and cash equivalents at beginning of period	**7 611**	**9 674**	**4 002**	**11 435**
Cash and cash equivalents at end of period	**11 435**	**17 945**	**11 435**	**17 945**

Consolidated statement of changes in equity

Attributable to the owners of the Company

'000 EUR	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Total
Balance at 1 January 2012 [1]	0	3 343	2 449	1 630	11 876	19 298
Profit for the period	-	-	-	-	8 203	8 203
Other comprehensive income for the period	-	-	-2 970	-	-	-2 970
Payment of dividends	-	-	-	-	-6 267	-6 267
Balance at 30 September 2012	**0**	**3 343**	**-521**	**1 630**	**13 812**	**18 264**
Profit for the period	-	-	-	-	3 166	3 166
Other comprehensive income for the period	-	-	2 700	-	-	2 700
Balance at 31 December 2012	**0**	**3 343**	**2 179**	**1 630**	**16 978**	**24 130**
Profit for the period	-	-	-	-	11 231	11 231
Other comprehensive income for the period	-	-	-95	-	-	-95
Share capital injected by contribution of shares	12 000				-11 955	45
Balance at 30 September 2013	**12 000**	**3 343**	**2 084**	**1 630**	**16 254**	**35 311**

[1] Due to the fact that Peixin International Group N.V. was incorporated on 2 July 2013, there is no historical financial information relating directly to the Company for the year ended 31 December 2012. However, on 14th August 2013 all shares in Peixin International BVI were contributed to Peixin International Group N.V. 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. The Company is a sole shareholder of Peixin International BVI. In connection with the acquisition of shares in Peixin International BVI by the Company comparable balance sheet data of the Company for the period ended 31 December 2012 for better illustration may be presented with respect to historical statements of Peixin International BVI. As of the 31 December 2012 share capital of Peixin International BVI amounted 41.000 EUR.

The table below applies to the capital structure of Peixin International BVI.

The table below is for presentation purposes only.

	Attributable to Owners of the Company					
	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 1 January 2012	41	3,302	2,449	1,630	11,876	19,298
Profit for the period	-	-	-	-	5,742	5,742
Other comprehensive income for the period	-	-	866	-	-	866
Payment of dividends	-	-	-	-	(6,267)	(6,267)
Balance at 30 September 2012	41	3,302	3,315	1,630	11,351	19,639
Profit for the period	-	-	-	-	5,627	5,627
Other comprehensive income for the period	-	-	(1,136)	-	-	(1,136)
Balance at 31 December 2012	41	3,302	2,179	1,630	16,978	24,130
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	28,290	35,309

Selected explanatory notes

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 Mr. Xie Qiulin ("Mr. Xie"). 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") and Quanzhou Peixin Machinery Making Industrial Co., Ltd. ("Quanzhou Peixin"), in the People's Republic of China ("PRC"). The address of the principal place of Fujian Peixin and Quanzhou Peixin 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. It’s market mainly locates in PRC.

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

As of the reporting date i.e. 30th September 2013 the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and three subsidiaries: Peixin International Group Ltd. (BVI), Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd. The structure of the Group is presented in Interim Financial Report below.

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 two subsidiaries: Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd.

On 14 August 2013 all shares in 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 Mr Qiulin Xie 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 Mr Qulin Xie 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 Mr Qulin Xie, 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 Company was incorporated on 2 July 2013, there is no historical financial information relating to the Company for the years ended 31 December 2012 and for the nine-month period ending 30 September 2013.

all data in thousand EUR, unless stated otherwise

However, in connection with the acquisition of shares in Peixin International BVI by the Company comparable data of the Company for the period ended 30th September 2013 i.e. 30th September 2012 as well data at 31 December 2012 are presented with respect to historical statements of Peixin International BVI.

As at 30 September 2013 and the date of approval of the consolidated financial statements, Peixin International BVI 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 28,800,000	Manufacture of daily-use paper machinery
Quanzhou Peixin (ii)	Quanzhou, Fujian Province, PRC 28 November 1994	RMB 5,800,000	Manufacture of daily-use paper machinery

(i) Fujian Peixin was established by the Company on 8 November 2006 with a registered capital of Hongkong Dollar 28,800,000.

(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 Mr. Xie 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 the Company in June 2006.

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

Except as described below, for the three months ended 30 September 2012 and 2013 (the "Periods") the Group 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 2010 in the preparation of the consolidated financial statements throughout the Periods.

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

all data in thousand EUR, unless stated otherwise

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[1]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]

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

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 Periods. The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[3]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date and Transition Disclosures[4]
IFRS 10	Consolidated Financial Statements[6]
IFRS 11	Joint Arrangements[6]
IFRS 12	Disclosure of Interests in Other Entities[6]
IFRS 13	Fair Value Measurement[3]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 19 (Revised 2011)	Employee Benefits[3]
IAS 27 (Revised 2011)	Separate Financial Statements[3]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[3]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[3]

1. Effective for annual periods beginning on or after 1 July 2011
2. Effective for annual periods beginning on or after 1 January 2012
3. Effective for annual periods beginning on or after 1 January 2013
4. Effective for annual periods beginning on or after 1 January 2015
5. Effective for annual periods beginning on or after 1 July 2012
6. Effective for annual periods beginning on or after 1 January 2014

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 Group.

all data in thousand EUR, unless stated otherwise

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 periods 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. 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). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

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 acted as parent (holding) company. Therefore the financial statements of the company presented in EUR. Translation from RMB to EUR found place at the following rates:

Foreign currencies

Functional and presentation currency

Period	Period end rate	Average rate
2012	EUR 1.00 = RMB 8.318	EUR 1.00 = RMB 8.195
3Q 2012	EUR 1.00 = RMB 8.819	EUR 1.00 = RMB 8.173
1-3Q 2012	EUR 1.00 = RMB 8.819	EUR 1.00 = RMB 8.188
3Q 2013	EUR 1.00 = RMB 8.298	EUR 1.00 = RMB 8.220
1-3Q 2013	EUR 1.00 = RMB 8.298	EUR 1.00 = RMB 8.187

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation in the IPO prospectus of its intended ultimate legal parent 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 capital, 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.

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 a majority 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.

<u>Research and development expenditure</u>

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 as they do not yet meet the criteria to be recognized as an intangible asset in accordance with IAS 38.

<u>Borrowing costs</u>

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.

<u>Retirement benefit costs</u>

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.

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 year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. 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.

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.

Property, plant and equipment-continued

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.

Leasing

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

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized 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.

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.

Financial instruments-continued

Impairments of loans and receivable-continued

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.

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.

Financial instruments-continued

Financial liabilities and equity-continued

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.

<u>Capital and Reserves</u>

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.

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 2012 and 30 September 2013 amounted to ‘000 EUR 672 and ‘000 EUR 872 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.

Revenues by business

Revenue:	**3Q 2012**	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
		(unaudited)		**(unaudited)**
Sanitary napkins machines	5 804	6 757	15 373	18 996
Diaper machines	2 574	5 883	10 006	15 945

Facial tissue machines	1 239	2 177	4 956	5 897
Other paper machines	686	786	2 427	2 160
Total	**10 303**	**15 603**	**32 762**	**42 998**

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
		(unaudited)		**(unaudited)**
Segment gross profit				
Sanitary napkins machines	2 094	2 501	5 699	7 123
Diaper machines	897	2 077	3 657	5 863
Facial tissue machines	436	794	1 770	2 095
Other paper machines	250	289	968	751
Total	**3 677**	**5 661**	**12 094**	**15 832**

Revenues by Geographical Information

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Revenue:				
Direct sales				
-Mainland China	4 078	11 326	17 718	27 143
-Outside Mainland China	694	1 505	1 433	3 284
Sales to trading companies	5 531	2 772	13 612	12 571
Total	**10 303**	**15 603**	**32 762**	**42 998**

8) REVENUE

Revenue represents revenue arising on sales of goods.

Revenue is denominated in the following currencies:

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Renminbi ("RMB")	9 608	14 098	31 329	39 714
United States Dollars ("USD")	695	1 505	1 433	3 284
Total	**10 303**	**15 603**	**32 762**	**42 998**

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 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
		(unaudited)		**(unaudited)**
Changes in inventories of finished				
goods and work in progress	794	-2 262	-3 058	-3 868
Materials consumed in production	5 137	10 241	20 603	25 526
-Glue machines and motors	1 953	4 193	7 025	10 063
-Steel	886	1 496	4 718	4 004
-Electric controllers	896	2 033	3 202	4 850
-Knife roller\cylinder	198	394	829	1 030
-Other components	924	1 753	3 708	4 619
-Auxiliary materials	282	372	1 119	959
Labour	592	961	1 839	2 600
Depreciation and amortization	185	290	560	874
Outsourced manufacturing cost	219	410	687	1 067
Taxes and surcharges *	108	156	285	380
Water and electricity	82	152	261	395
Others	18	178	238	238
Foreign currency translation difference	-509	-183	-746	-44
total	**6 626**	**9 942**	**20 668**	**27 166**

** 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).*

10) OTHER INCOME

	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	‘000 EUR	**‘000 EUR**	**%**	**‘000 EUR**	**‘000 EUR**	**%**
			(unaudited)			**(unaudited)**
Interest income on bank deposits	8	12	50	28	102	259.5
Government grant	2	-	-	53	-	-
Rental income	22	26	18.2	33	44	31.7
Sales of spare parts	33	64	93.9	51	191	275.7
Total	**65**	**102**	**56.9**	**166**	**337**	**103.3**

11) DISTRIBUTION AND SELLING EXPENSES

	3Q 2012	3Q 2013	Change	1-3Q 2012	1-3Q 2013	Change
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
			(unaudited)			(unaudited)
Staff costs	101	128	26.7	324	376	16.0
Marketing and advertising costs	30	35	16.6	241	165	-31.5
Post-sales services costs	10	44	340	75	117	56.2
Traveling costs	12	13	8.3	59	42	-29.6
Depreciation	2	2	0	7	5	-32.0
Others	50	26	-48	37	80	114.9
Total	**205**	**248**	**21**	**744**	**785**	5.5

12) ADMINISTRATIVE EXPENSES

	3Q 2012	3Q 2013	Changes	1-3Q 2012	1-3Q 2013	Changes
	'000 EUR	'000 EUR	%	'000 EUR	'000 EUR	%
			(unaudited)			(unaudited)
Staff costs	74	91	23	222	275	24.0
Depreciation and amortisation charges	91	90	-1.1	291	274	-5.9
Entertainment and office expenses	35	64	82.9	121	159	30.8
Miscellaneous taxes	5	61	1120.0	71	148	108.6
Professional service fee	-	18	100.0	-	148	-
Others	46	63	37.0	170	132	-22.8
Total	**251**	**387**	**54.2**	**875**	**1 134**	**29.6**

13) RESEARCH AND DEVELOPMENT EXPENSES

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	'000 EUR	'000 EUR	'000 EUR	'000 EUR
		(unaudited)		(unaudited)
Materials	183	160	381	461
Staff costs	108	104	318	312
Depreciation charges	3	1	9	5
Total	**295**	**265**	**708**	**778**

14) *OTHER GAINS AND LOSSES*

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Foreign exchange gain, net	*	5	-2	19
Other gains	-3	*	1	4
Total	-3	5	-1	23

* Amount less than EUR 1,000.

15) *FINANCE COSTS*

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Interest expenses on bank borrowings wholly repayable within one year	-66	-55	-182	-180

Bank borrowings interests are charged on interest rates of 6.000% to 6.560%, 6.560%, per annum during the periods ended 30 September 2012 and 2013 respectively.

16) *INCOME TAX EXPENSE*

	3Q 2012	**3Q 2013**	**1-3Q 2012**	**1-3Q 2013**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Current tax: PRC enterprise income tax	-473	-833	-1 545	-2 084

The Company 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 2012 and 2013, Quanzhou Peixin has unrecognized tax losses and no income tax was charged for the periods ended 30 September 2012 and 2013.

17) PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	‘000 EUR	‘000 EUR	‘000 EUR	‘000 EUR
Cost of inventories recognized				
as expenses	6 923	9 986	21 904	28 444
Depreciation of PPE	226	341	701	1 006
Amortization of prepaid lease payments	6	6	17	17
Amortization of investment properties	12	12	36	36
Amortization of other deferred assets	49	49	147	147
Total depreciation and amortization	**293**	**408**	**901**	**1 206**

18) EMPLOYEES' EMOLUMENTS

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	‘000 EUR	‘000 EUR	‘000 EUR	‘000 EUR
Salaries and other short-term benefits	850	4 804	2 569	2 665
Defined contribution benefit schemes	33	33	93	99
Total employee benefits expense				
(including directors’ emoluments)	**883**	**4 837**	**2 662**	**2 764**

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.

19) DIRECTORS' EMOLUMENTS

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

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	‘000 EUR	‘000 EUR	‘000 EUR	‘000 EUR
Directors' emoluments				
- Salaries				
Xie Qiulin	18	18	53	53
Dai Hongyan	-	33	-	33
Xie Kaida	-	15	-	15
Xue Bas	-	-	-	-
	18	**56**	**53**	**101**
- Social Welfare				
Xie Qiu Lin	*	*	*	*
Dai Hongyan	-	*	-	*

Xie Kaida	-	*	-	*
Xue Bas	-	-	-	-

* Amount less than EUR 1,000.

20) EARNINGS PER SHARE

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	‘000 EUR	**‘000 EUR**	**‘000 EUR**	**‘000 EUR**
From continuing operations				
- assuming 50 000 shares	48,94	80,5	164,07	224,62
- assuming 12 000 000 shares	0,20	0,34	0,68	0,94

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

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
Profit for the periods attributable to owners of the Company for the purpose of basic earnings per share ‘000 EUR	2 447	4 024	8 203	11 231
number of ordinary shares for the purpose of earnings per share (assuming 50.000 shares – BVI capital structure)	50 000	50 000	50 000	50 000
number of ordinary shares for the purpose of earnings per share (assuming 12.000.000 shares – NV capital structure)	12 000 000	12 000 000	12 000 000	12 000 000

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

At the turn of third and fourth quarter of 2013 the Company made the first initial public offering. On 1st October 2013 the Company’s Management Board approved a resolution on allotment of 1,000,000 shares. As of the date of preparation financial statements i.e. 15th November 2013 the Company’s share capital comprises 13,000,000 shares with a nominal value of EUR 1 each.

In the financial report for the period of three months ended 30th September 2013 earnings per share is presented with respect to 12,000,000 shares, whereas in the subsequent financial statements the Company will present earnings per share with respect to 13,000,000 shares.

21) INVENTORIES

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Raw materials and consumables	3,171	3,139
Work in progress	1,028	7,244
Finished goods	2,535	216
	6,734	10,599

22) FINANCIAL ASSETS AND LIABILITIES

Financial assets

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Current		
Trade and other receivables (Note 23)	3,886	7,724
Bank balances and cash (Note 24)	11,435	17,945
	15,321	25,669

Financial liabilities measured at amortized cost

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Current		
Trade and other payables (Note 25)	1,771	3,190
Advance from customers (Note 26)	3,582	6,128
Bank borrowings (Note 27)	4,034	3,440
	9,387	12,758

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

23) TRADE AND OTHER RECEIVABLES

	As at 31 December 2012	As at 30 September 2013

	kEUR	kEUR
Trade receivables	3,841	7,530
Other receivables	45	194
Subtotal financial assets	3,886	7,724
Prepayments	543	2,253
Prepayments for machinery	-	-
	4,429	9,977

24) BANK BALANCES AND CASH

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Cash on hand	39	4
Bank balances	11,396	17,971
	11,435	17,945

Bank balances and cash are denominated in the following currencies:

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Renminbi	11,391	17,897
United States Dollars	44	3
Hong Kong Dollars	*	*
Euros	-	45
	11,435	17,945

* 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 2013 carry interest at market rates of 0.35% (2012: 0.35%-0.50%) per annum.

25) TRADE AND OTHER PAYABLES

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Trade payables	1,253	2,572
Other payables	2	12
Salary payables	516	606
Subtotal financial liabilities	1,771	3190
Tax payables other than income tax	439	461
	2,210	3,651

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.

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 2012	As at 30 September 2013
	kEUR	kEUR
Current	1,253	2,572

26) 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 2012	As at 30 September 2013
	kEUR	kEUR
Renminbi	1,998	5,792
United States Dollars	1,584	336
	3,582	6,128

The aging analysis of advance from customers is as follows:

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Less than 3 months	2,931	4,725
Over 3 months but less than 1 year	651	1,403
	3,582	6,128

27) BANK BORROWINGS

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Secured bank borrowings	4,034	3,440
Carrying amount repayable within 1 year	4,034	3,440

The borrowings are fixed-rate and denominated in RMB.

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

	As at 31 December 2012	As at 30 September 2013
	kEUR	kEUR
Land use right	987	973
Buildings	4,820	4,595
	5,807	5,568

A personal guarantee was provided by director of the Company, Xie Qiulin for kEUR 3,545 among the balances at 30 September 2013.

28) SHARE / PAID-IN CAPITAL

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

	As at 31 December 2012	As at 30 September 2013

	kEUR	kEUR
Share/paid-in capital	0	12 000

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

	Number of shares	**Share capital '000 EUR**
Authorized and issued and fully paid		
Ordinary shares of EUR 1.00		
Each on the date of incorporation and at 30th September 2013	12,000,000	12,000

29) 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. The statutory surplus reserve of the Group amounts to '000 EUR 1,630 at 30 September 2013 (31 December 2012: '000 EUR 1,630). The statutory surplus reserve of the Group is related to Fujian Peixin and Quanzhou Peixin.

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.

30) RELATED PARTY TRANSACTIONS

The Group has entered into the following transactions with related parties that are not members of the Group during the Periods.

Compensation to director of the Company

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Xie Qiulin				
-Short-term employee benefits	18	18	53	53
-Social Welfare	*	*	*	*
	18	**18**	**53**	**53**
Dai Hongyan				
-Short-term employee benefits	-	33		33
-Social Welfare	-	*		*
	-	**33**		**33**
Xie Kaida				
-Short-term employee benefits	-	15		15
-Social Welfare	-	-		-
	-	**15**		**15**
Xue Bas				
-Short-term employee benefits	-	-	-	-
-Social Welfare	-	-	-	-

* Amount less than EUR 1,000.

Personal undertaking loans guaranteed by director of the Company

	3Q 2012	3Q 2013	1-3Q 2012	1-3Q 2013
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Xie Qiulin	-	3 440		3 440

31) CONTINGENCIES

As at 30 September 2013, the Group had no contingencies that needed to be disclosed.

32) COMMITMENTS

As at 30 September 2013, the Group had no commitments that needed to be disclosed.

33) 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.

34) PEIXIN INTERNATIONAL BVI STATEMENT OF CHANGES IN EQUITY

The table below is for presentation purposes only.

	Attributable to Owners of the Company					
	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Balance at 1 January 2012	41	3,302	2,449	1,630	11,876	19,298
Profit for the period	-	-	-	-	5,742	5,742
Other comprehensive income for the period	-	-	866	-	-	866
Payment of dividends	-	-	-	-	(6,267)	(6,267)
Balance at 30 September 2012	41	3,302	3,315	1,630	11,351	19,639
Profit for the period	-	-	-	-	5,627	5,627
Other comprehensive income for the period	-	-	(1,136)	-	-	(1,136)
Balance at 31 December 2012	41	3,302	2,179	1,630	16,978	24,130
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	28,290	35,309