Consolidated Financial Report of PEIXIN International Group N.V.

for the period of three months ended 31 March 2014

1Q 2014

Contents

1. Letter to the Shareholders

Dear Shareholders

We hereby present the Q1 2014 financial report of PEIXIN International Group NV. I am very pleased to announce that the period ended 31 March 2014 was another very successful quarter for our Group in terms of financial results and business development.

PEIXIN's revenues grew by over 17% yoy to EUR 12,4 million. Such significant growth was generated mainly by the sanitary napkin machines segment due to the fact, that of the majority of sanitary napkin machines sold in Q1 2014 were full-servo units. As a result revenues in this segment increased by over 64% yoy and the share of this segment in revenues increased by 13 percentage points yoy to 45% as of the end of March 2014. When it comes to geographical breakdown – most of the growth was generated by sales in Mainland China. The main reason behind this was our decision to give higher priority to orders of high-margin more sophisticated and bigger machines coming from some of our domestic clients taking into account our long-term successful business relations. This, combined with tight shipment schedule after the Chinese New Year, resulted in a necessity to reschedule deliveries of some machines to our international clients for early Q2 2014 and caused an increase of share of domestic sales to 65% in Q1 2014. On the other hand we would like to stress that development of direct international sales remains one of our main strategic goals. We are very active in the marketing field, for instance we consistently advertise our products in Alibaba e-commerce platform which is about to perform possibly the biggest technology IPO in the US so far. We also take part in several important international fairs and exhibitions, which brings us significant growth of new inquiries from international clients. We are convinced that this will result in increase of direct international sales in the coming quarters.

As our priority is to deliver to the market more sophisticated and bigger machines we were capable of reporting higher margins along with very dynamic increase of revenues. The Group's gross profit margin in Q1 2014 increased to 37.6% from 35.8% in Q1 2013 and the net profit margin went up to 25.8% from 24.8% respectively. As a result PEIXIN's net profit grew by 22% yoy, to EUR 3.2 million.

Q1 2014 was a very busy and challenging but at the same time a very positive period for PEIXIN in terms of business and organization development. The Group successfully executed the first phase of investment plan and after several months of intensive work PEIXIN started production in a newly-adapted workshop, which will enable to significantly increase production capacity in the coming periods.

What is worth mentioning, the implementation of the first phase of investment plan and our further investment plans do not affect PEIXIN's strategic commitment for the dividend policy. Consequently, the Annual General Meeting decided to distribute EUR 1.56 million in the form of the dividend (the amount reflects app. 10% of the 2013 consolidated net profit), which translates to EUR 0.12 dividend per share. We proved to keep our promises given during the IPO process and we are also committed to keep them in the future.

I would like to take this opportunity to express our gratitude to the current and potential Shareholders for the trust they put in PEIXIN and stress that we aim to continue generating even more attractive returns for you in the future.

Yours Sincerely

Qiulin Xie

CEO PEIXIN International Group NV

2. General information about the Group

Group structure

As of the reporting date i.e. 31 March 2014 the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries. The Peixin International Group N.V. is the sole shareholder of Peixin International BVI, whereas Peixin International BVI Peixin International Group Ltd. is a sole shareholder of three subsidiaries: Fujian Peixin Machine Manufacture Industry Co., Ltd., Quanzhou Peixin Machine Manufacture Industry Co., Ltd. and Baixin Industry Co. Ltd.

The current structure of the Group at the publication date 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 the 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 three 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.
- **Baixin Industry** has been established in connection with planned purchase of a land and plant in Yongchun county. Its scope of business includes manufacturing of hygienic products machines and other machines.

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

The effect of changes in the composition of the Group

Due to the legal requirements, as well as planned purchase of a land and plant construction in Yongchun county, in 1Q 2014 the Company began the procedure of incorporation of the new entity. Because the new land is located in the different city than the current plant, based on the Chinese legal requirements, a new company should be established. In the effect Baixin Industry was founded. Founding of Baixin Industry constitutes exclusively technical activity which is connected with planned purchase of a land and plant construction in Yongchun county.

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.

Full-servo control full-function adult diaper production line

Full-servo control Sanitary Napkins Line

Semi-automatic Sanitary Napkin Production Line

Full-servo control full-function baby diaper line

Semi-automatic Adult Diaper Production Line

Full-servo control horizontal panty liner production Line

5-20 pieces wet tissue line 5-20

Full auto edge trimmed and sealed printed toilet paper Line

Full auto box tissue line

Full-servo fruits pads machine

Stacker machine

The Group believes that the key features of its products are high quality and functionality offered at competitive prices. To the Group's best knowledge, the Group is among the companies based in China which offer the most advanced products in terms of speed, accuracy and technology. Additionally, the Group believes that its product quality and advancement is similar to the products of its international competitors, and the Group aims to upgrade its products to the highest standards.

Due to technological development, the life cycle of the Group's products is approximately five years, and follows the life cycle of end products. After this period, the design change of the end products and raw materials used in its production require new technology and consequently new machines. This is why the Group needs to constantly improve its production technology to meet the market demand.

The Group's products vary from single unit machines to complex production lines.

The Group currently has over 40 models of machines. The Group is constantly upgrading its products as well as introducing new products. Since 2013, the Group has continued to transform its product structure towards more complex and more functional production lines, which is the driving force behind its sales. The Group's core products are sanitary napkins and diaper production lines, together representing 83% of the Group's consolidated turnover in 1Q 2014 (see "*Operating and financial review – Profit & loss account – Revenues*").

With 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according to the Company's estimates based on the publicly available data.

The Group sells its products under the "Peixin" brand. The Group's products are divided mainly into four categories: Sanitary Napkin Machines, Diaper Machines, Facial Tissue Machines and Other machines. Structure of sales is characterized in part *Operating and Financial Review* of this quarterly report.

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

The Group's business is mainly driven by the daily-use hygiene products market, currently experiencing growth in developing countries. In particular, the market for sanitary napkins and diapers for babies and elderly people drives the machine market. Due to consistent improvement on the technology, the Group has the ability to produce more sophisticated sanitary napkins and diaper machines, during the period of 1Q 2014 the full servo sanitary napkins and 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 enjoyed the rapid growth on this segment in 1Q 2014 (see "*Operating and financial review – Profit & loss account – Revenues*").

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

The group will continue to distribute its products to daily-use hygiene product manufacturers in China and abroad, mainly in Asia, Africa, Middle East and South America.

Over 1Q 2014 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 1Q 2014.

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. In March the Company attended TECHNOTEX 2014 in Bombay, India which was very successful and which again convinced the Company that India is a very prospective market, especially in terms of large unsatisfied demand for sanitary napkins. The Company received an order from a Indian client right after the exhibition. Moreover in April 2014 the Company attended INDEX14 trade fairs in Geneva, Switzerland.

3. Selected financial data

Introduction

The following this section operating and financial review discusses the Group's financial results for the period ended 31 March 2014 as well as historical financial results as at and for the year ending on 31 December 2013 and 31 March 2013. Shareholders should read the following discussion in conjunction with the Consolidated Financial Statements for the year 2013, and in conjunction with other information contained in the objective report.

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 three months ended 31 March 2013. However, on 14 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 initial public offering. Due to the fact, the Company does not perform any operational activity – it is a holding company, establishment of the Company does not materially influence the analysis as well as comparability of the financial data. 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 data of the Company for the period ended 31 March 2013 for better illustration may be presented with respect to historical statements of Peixin International BVI.

The references to the Group are references to the Company and its subsidiaries. However, due to the fact that the Company was incorporated on 2 July 2013 the references to the Group are also, depending on the circumstances and the context in which they are used, references to the Peixin International BVI and its subsidiaries.

The Consolidated Financial Statements for the three months ended 31 March 2014 have been prepared in accordance with the International Financing Reporting Standards issued by the International Accounting Standards Board and have been reviewed.

Selected financial data

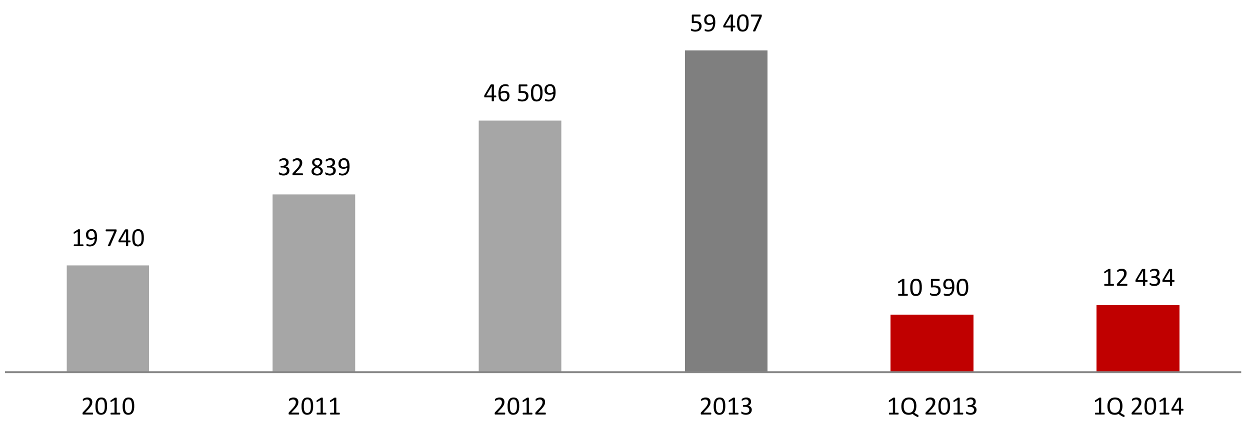
'000 EUR	**1Q 2013**	**1Q 2014**
revenues	10,590	12,434
gross profit	3,794	4,677
operating profit	3,118	3,790
EBITDA	3,515	4,313
profit before tax	3,142	3,802
net profit	2,630	3,213
cash flow from operating activities	(1,157)	1,820
cash flow from investing activities	77	(7,185)
cash flow from financing activities	(61)	3,816
total net cash flow	(1,141)	(1,550)

'000 EUR	**31 Dec 2013**	**31 Mar 2014**
non-current assets	19,909	26,605
current assets	30,162	31,800
total assets	50,071	58,405
long-term liabilities	-	-
short-term liabilities	7,835	13,313
equity	42,236	45,092
share capital	13,000	13,000

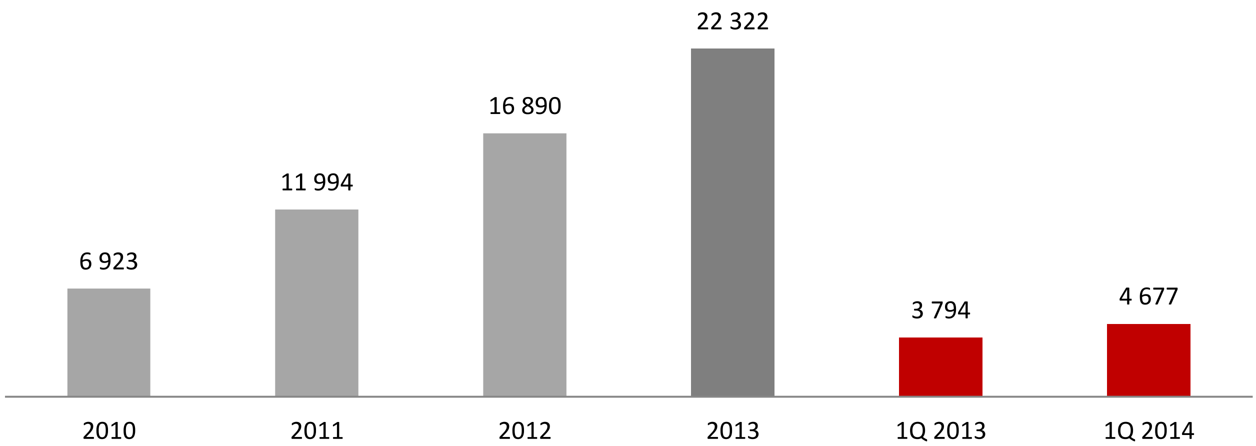
4. Operating and financial review

Key financial charts

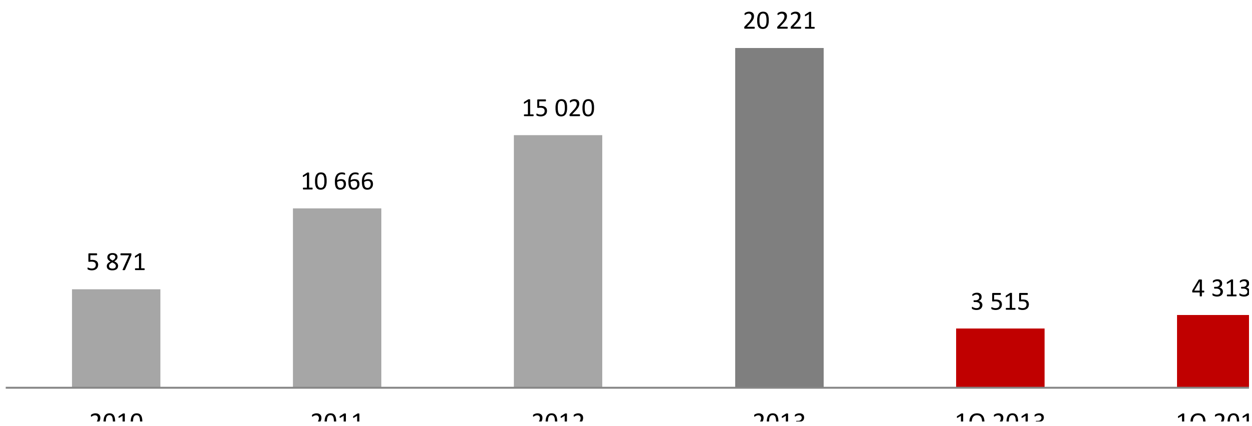
Sales ’000 EUR



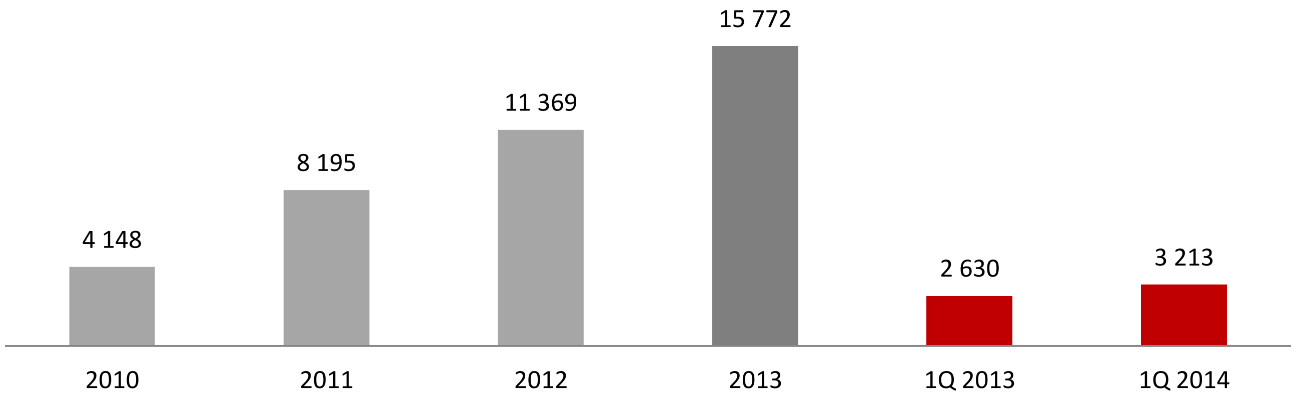
Gross Profit ’000 EUR



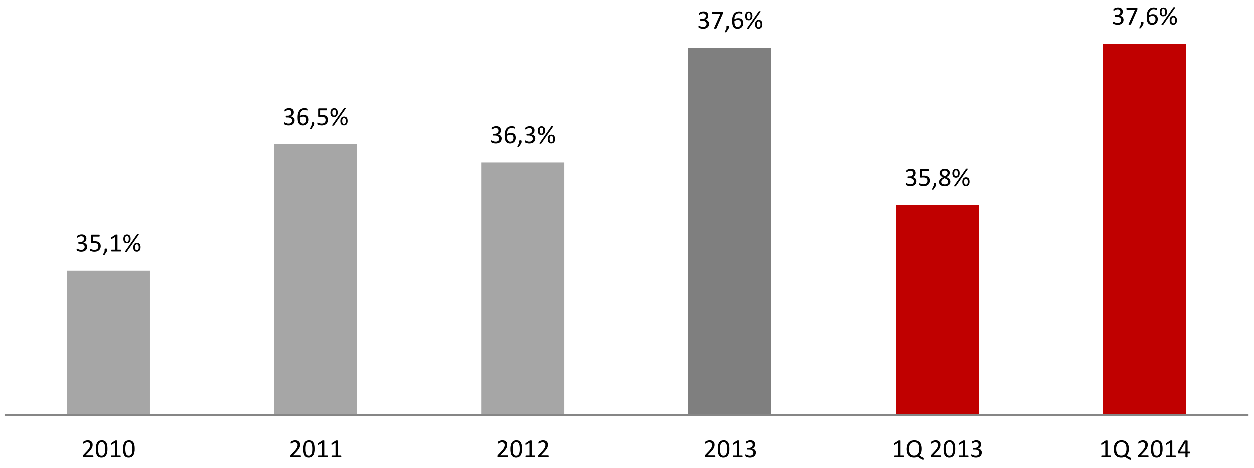
EBITDA ‘000 EUR



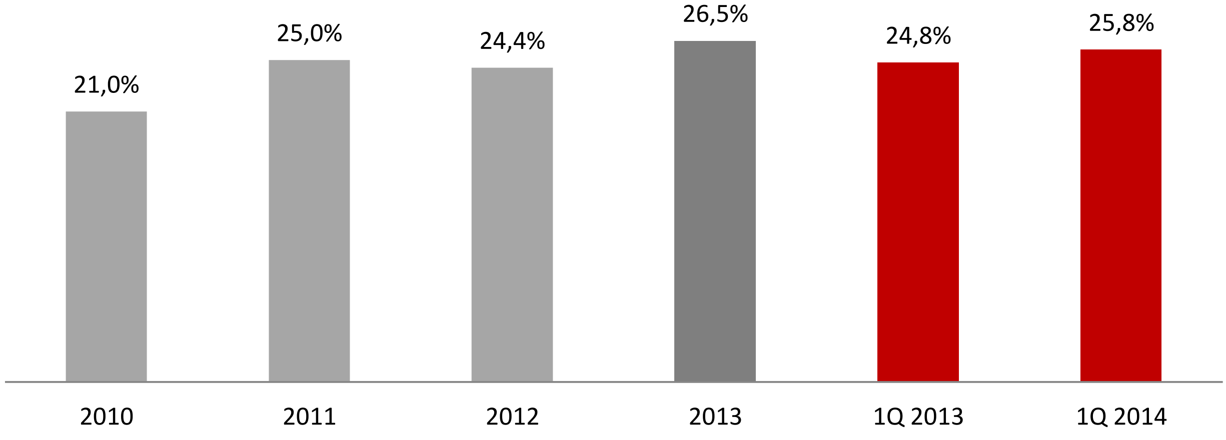
Net profit '000 EUR



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 1,844 thousand or 17.41%, from EUR 10,590 thousand for the three-month period ended on 31 March 2013 to EUR 12,434 thousand for the period ended 31 March 2014. The increase of revenues was mainly the result of increased sales and number of more sophisticated units i.e. more technically advanced machines, including in particular sanitary napkins machines.

During the 1Q 2014, revenues in sanitary napkins machines increased by 64.36% compared with the 1Q 2013. In the 1Q 2014 the Company sold three more units in sanitary napkins machines segment than in 1Q 2013, however because orders were made by long cooperating clients and included high technology advanced machines, such as full-servo machines, the growth of revenues in this segment was substantial.

In diaper machines segment the Company sold three more full-servo units and semi-servo machines comparing to the 1Q 2013. The units in this segment were sold with a lower price per unit, because of a different product mix, therefore in the 1Q 2014 the revenue in diaper machines segment increased only slightly.

Due to the fact that in the 1Q 2014 the Company focused on the most prospective segments i.e. sanitary napkins machines segment and diaper machines segment, revenues from the sale of facial tissue machines and other machines were lower year over year. The decrease of revenues in facial tissue machines segment in the 1Q 2014 was the result of a drop in the volume of sales. In the 1Q 2014 the Company sold more other paper machines compared with the 1Q 2013. However, the decrease of revenues in this segment resulted from the fact that the production in this segment was shifted more towards smaller machines which are of low per-unit value.

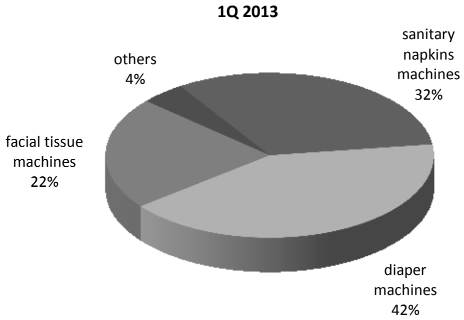
The Group has recently expanded its existing production facility by renovation of warehouse transformed to production facility, as a result of finalising the first phase of the investment. Though the Company's production capacity is approaching its limit, some of orders made in facial tissue machines segment and other machines segment have been rescheduled. Optimized order arrangements reduce the production pressure, and flexibly meet the customers' needs. Completions of new production plant will allow the Company to increase in the future revenues from other segments. Further capacity increases are necessary to maintain the high production growth, therefore the Group established a detailed investment plan (see: "*Investments*").

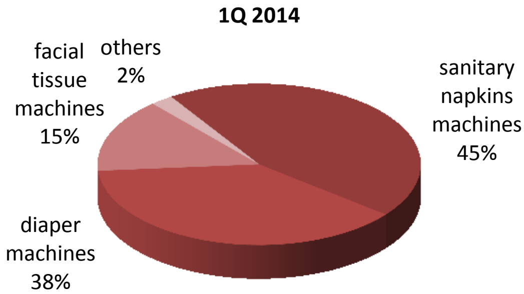
Revenues breakdown by segments

The following table presents the Group's revenues for 1Q 2013 and 1Q 2014 broken down into product categories.

	1Q 2013		1Q 2014		Change in revenues
	Unit	'000 EUR	Unit	'000 EUR	%
Sanitary napkins machines	11	3,392	14	5,575	64.36
Diaper machines	8	4,397	11	4,731	7.60
Facial tissue machines	138	2,336	112	1,843	(21.10)
Other paper machines	16	465	20	285	(38.71)
	173	10,590	157	12,434	17.41

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





Sales geographic breakdown

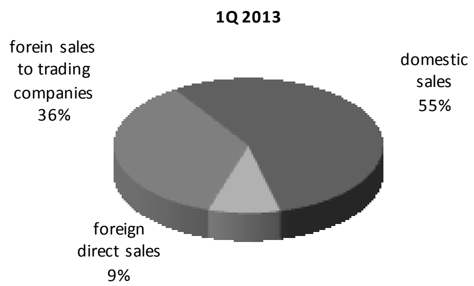
Over 1Q 2014 the Group's growth in revenues was generated on domestic market following more visible increase in demand for the advanced technology machines (the low-tech machines create more production waste as well as are more labour-intensive, which increases production costs) and continuing government supportive approach for the industry. Especially, the Group had to meet the requirements from several domestic clients and complete a few deliveries right after the Chinese New Year in order to allow the clients implement their business development plan in the New Year. Due to the early Chinese New Year 2014, some large-scale machines could not be arranged for manufacture or delivery to the overseas clients. In consequence some orders have been postponed for delivery in 2Q 2014. This fact is reflected by 57,38% increase of work in progress position compared with values as of 31 December 2013 and 31 March 2014 accordingly in volume of EUR 4,043 and 6,363 thousand (see: "*Inventories*").

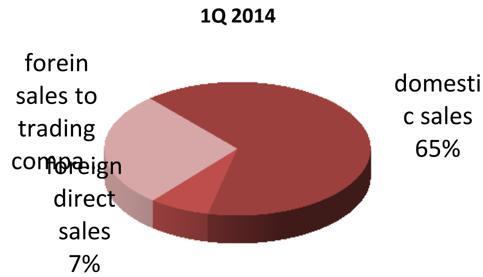
The Group distributes its products in China directly to its end users. The Group distributes its products internationally (i) through China-based trading companies that sell the Group's products to customers and (ii) directly to international customers.

The following table presents the number of units sold and Group's revenues for 1Q 2013 and 1Q 2014 broken down into geographical segments.

	1Q 2013		1Q 2014		Change of revenue
	Units	**'000 EUR**	**Units**	**'000 EUR**	**%**
Revenue:					
Direct sales					
-Mainland China	114	5,858	87	8,076	37.86
-Outside Mainland China	18	923	20	914	-0.98
Sales to trading companies	41	3,809	50	3,444	-9.58
Total	**173**	10,590	**157**	12,434	17.41

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





In 1Q 2014 the Company focused more on the big machines sales with a higher price per unit instead of the small machines sales offered at lower price per unit. In consequence, the number of units sold in mainland China dropped by 27 units or 23.7% compared with 1Q 2013 when the Company sold more smaller machines. Nevertheless revenues on domestic market increased by EUR 2,218 thousand or 37.86 %, from EUR 5,858 thousand for the three-month period ended on 31 March 2013 to EUR 8,076 thousand for the period ended 31 March 2014, mainly thanks to higher prices achieved on more sophisticated machines.

The revenue generated from direct sales outside mainland China remained flat although two more machines were sold outside mainland China in 1Q 2014 compared with 1Q 2013. The total overseas sales in 1Q 2014 decreased, however the Group would still like to keep the strong development pace on the 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 increase the gross margin. The Group also offers its equipment through sales platforms and aims to take opportunities provided by the distributors.

In 1Q 2014 the Company focused on direct international sales therefore revenues in sales to trading companies decreased by EUR 365 thousand or 9.58 % compared with 1Q 2013.

Cost of Goods Sold

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

	1Q 2013	1Q 2014	Change
	'000 EUR	'000 EUR	%
Changes in inventories of finished			
goods and work in progress	(2,360)	(2,513)	6.48
Materials consumed in production			
-Glue machines and motors	2,802	2,893	3.25
-Steel	1,343	2,000	48.92
-Electric controllers	1,389	1,502	8.14
-Knife roller\cylinder	307	353	14.98
-Other components	1,311	1,642	25.25
-Auxiliary materials	220	279	26.82
Materials consumed in production	7,372	8,669	17.59
Labour	784	849	8.29
Depreciation and amortization	289	292	1.04
Outsourced manufacturing cost	336	359	6.85
Taxes and surcharges *	31	10	(67.74)
Water and electricity	121	125	3.31
Others	36	9	(75.00)
Foreign currency translation difference	187	-43	(122.99)
Total	**6,796**	**7,757**	**14.14**

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 6,796 thousand in 1Q 2013 and increased up to EUR 7,757 in 1Q 2014. Cost of production increased by EUR 1,344 thousand or 15% in 1Q 2014 compared to 1Q 2013, which increased as the same line as the cost of sales. In 1Q 2014, the cost of sales increased by 14.14% as compared to the same period of 2013. The higher growth of the costs of the production for the period was mainly the result of increase in material consumed in production, mainly steel, knife roller\cylinder and auxiliary materials. Partially parts used in assembly of the Group's products are manufactured in-house, from externally purchased steel in a process involving gas cutting, welding, milling, polishing, and drilling. Significant amount of machines with high ratio of steel in the cost structure remain currently as part of *Work in progress*. This fact influenced relatively high growth of steel in overall cost structure in Q1 2014.

Gross profit

Gross profit increased by EUR 883 thousand, or 23.3%, from EUR 3,794 thousand in 1Q 2013 to EUR 4,677 thousand in 1Q 2014.

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

	1Q 2013	1Q 2014	change
	'000 EUR	**'000 EUR**	**%**
Segment gross profit			
Sanitary napkins machines	1,201	2,172	80.85
Diaper machines	1,638	1,753	7.02
Facial tissue machines	815	668	-18.04
Other paper machines	140	84	-40
Total	3,794	4,677	23.27

Increased sales of high-tech sanitary napkin machines (of relatively high per-unit price and margin) significantly impacted overall gross profit generated by the Company. Simultaneously, due to the workshop renovation, the Company rescheduled the orders for tissue machines and other machines. In consequence of lower number of order executed in Q1 2014, gross profit in these segments decreased.

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

	1Q 2013	**1Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**p.p.**
Segment gross margin			
Sanitary napkins machines	35.41	38.96	3.55
Diaper machines	37.25	37.05	(0.20)
Facial tissue machines	34.89	36.25	1.36
Other paper machines	30.11	29.47	(0.63)
Total gross margin	35.83	37.61	1.79

Despite significant changes in the sales structure, margins generated on each of them remained relatively stable, with most noticeable increase in sanitary napkins segment (high-tech and high margin sales).

Other income/expenses

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

	1Q 2013	**1Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**%**
Interest income on bank deposits	77	39	(49.35)
Government grant	-	-	-
Rental income	9	1	(88.89)
Sales of spare parts	85	5	(98.82)
Total	**65**	**102**	**56.92**

Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	1Q 2013	**1Q 2014**	**Change**
	‘000 EUR	**‘000 EUR**	**%**
Staff costs	108	119	10.19
Marketing and advertising costs	40	33	(17.50)
Post-sales services costs	26	26	-
Traveling costs	11	11	-
Depreciation	2	1	(50.00)
Agency costs	0	21	-
Others	26	19	(26.92)
Total	**213**	**230**	**7.98**

Staff costs

Staff costs constituted 45.2% of the Group’s distribution and selling expenses for 1Q 2013 and 51.7% for the 1Q 2014. Staff costs increased by EUR 11 thousand, or 10.2%, from EUR 108 thousand in 1Q 2013 to EUR 119 thousand in 1Q 2014 mainly as a result of the increased sales commission based remuneration of selling staff. Marketing and advertising costs decreased by EUR 7 thousand, or 17.5%, from EUR 40 thousand in Q1 2013 to EUR 33 thousand in 1Q 2014 mainly was due to the better marketing package obtained, which saved the marketing cost. The package mentioned above includes exhibition registration fees as well as booth, advertising, flights and hotels costs for participants.

In the 1Q 2014 the Group also successfully set up the after-sales service office in Ankara of Turkey, which caused increased in agency cost.

Administrative expenses

Administrative expenses increased by EUR 81 thousand, or 24.8%, from EUR 326 thousand in 1Q 2013 to EUR 407 thousand in 1Q 2014.

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

	1Q 2013	**1Q 2014**	**Change**
	‘000 EUR	**‘000 EUR**	**%**
Staff costs	91	93	2.20
Depreciation and amortization charges	91	89	(2.20)
Entertainment and office expenses	35	34	(2.85)
Miscellaneous taxes	10	6	(40.00)
Professional service fee	-	114	-
Others	99	71	(28.28)
Total	326	407	24.85

In 1Q 2014 the increase of administrative expenses was caused by professional service fee, which constitutes of legal advisors' and auditors' remuneration.

Research and Development Expenses

Research and development expenses increased by EUR 25 thousand or 10.8%, from EUR 231 thousand in 1Q 2013 to EUR 256 thousand in 1Q 2014 mainly because of increased employment, as well as because of more raw material used in R&D projects compared with the same period of last year. Because of extra three R&D employees were hired in 1Q 2014, staff cost increased by 12.62% from EUR 103 in 1Q 2013 to EUR 116 in 1Q 2014.

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

	1Q 2013	**1Q 2014**	**Change**
	'000 EUR	**'000 EUR**	**%**
Materials	125	133	6.40
Staff costs	103	116	12.62
Depreciation charges	-	5	-
Outsourced R&D	3	2	(33.33)
Total	**231**	**256**	**10.82**

Balance sheet

Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 2,053 thousand, or 15.8%, from EUR 13,012 thousand as at 31 December 2013 to EUR 15,065 thousand as of 31 March 2014. This increase resulted mainly from the execution of the investment plan and continuation of construction and renovation works in the Company's facilities. Moreover as a result of the delivery, installation of production lines and putting them into operation the structure of PPE group of assets changed due to the reclassification of EUR 3,351 thousand from prepayments for machinery to machinery and equipment.

Current assets

Inventories

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

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

	31/12/2013	**31/03/2014**	**Change**
	'000 EUR	**'000 EUR**	**%**
Raw materials and consumables	3,269	3,569	9.18
Work in progress	4,043	6,363	57.38
Finished goods	641	835	30.27
Total	**7,953**	**10,767**	**35.38**

The level of a particular segment: raw materials, work in progress and finished goods varies from one period to another and depends on the timing of the orders placed by the clients. In Q1 2014, the Group received an increased number of orders from clients and more machines were under construction, consequently work in progress significantly increased.

The table below presents the raw material and consumables composition of the Group as at 31 December 2013 and 31 March 2014.

	31/12/2013	31/03/2014	Change
	'000 EUR	'000 EUR	(%)
Glue machines and motors	607	611	0.66
Steel	1216	1243	2.22
Electronic controllers	296	365	23.31
Knife roller/cylinder	492	498	1.22
Other components	568	763	34.33
Auxiliary materials	89	89	-

Trade and other receivables

Trade receivables constituted the majority of trade and other receivables as of 31 March 2014. Prepayments were responsible for most of the remaining other receivables.

Along with the revenues growth, trade and other receivables increased by EUR 886 thousand or 10.4%, from EUR 8,549 thousand as of 31 December 2013 to EUR 9,435 thousand as of 31 March 2014.

As of the reporting date the receivables past due less than 3 months amounted to EUR 1,279 thousand, however as at the publication date of this quarterly report the total outstanding amount was entirely collected.

Bank balances and cash

Bank balances and cash decreased by EUR 1,634 thousand, or 13,6%, from EUR 11,983 thousand as of 31 December 2013 to EUR 10,349 thousand as of 31 March 2014.

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 decreased by EUR 396 thousand, or 17.6%, from EUR 2,248 thousand as of 31 December 2013 to EUR 1,852 thousand as of 31 March 2014. The main reasons of decrease were settlements with suppliers prior to the Chinese New Year and significant levels of inventory reserved (lower purchasing needs).

Indebtedness

The Company does not have any long term debt. The table below presents the short-term debt as of 31 March 2014.

Amount '000 EUR	Period		Interest rate	Mortgage	Personal guarantee
171	2014/1/7	2015/1/7	6.00%	Land use right	Xie Qiulin
591	2014/1/9	2015/1/9			
1,820	2014/1/21	2015/1/21			
634	2014/1/24	2015/1/24			
749	2014/1/28	2015/1/28			
3,965					

The Company has fully repaid its short-term debt due in 4Q2013 and renewed it in the comparable amount in Q1 2014.

The borrowings are fixed-rate and denominated in RMB.

All bank borrowings as of 31 March 2014 (EUR 3,965 thousand) were secured.

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

	As at 31 December 2013 '000 EUR	As at 31 March 2014 '000 EUR
Land use right	-	943
Buildings	-	4,233
Total	-	5,176

A personal guarantee was provided by CEO of the Company, Mr. Qiulin Xie for EUR 3,695 thousand among the balances at 31 March 2014.

Advance from customers

Advance from customers increased by EUR 2,105 thousand, or 57.6%, from EUR 3,653 thousand as of 31 December 2013 to EUR 5,758 thousand as of 31 March 2014. The increase was mainly the result of the Group receiving an increased number of orders from clients in the period preceding 31 March 2014.

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 2,856 thousand, or 6.8%, from EUR 42,236 thousand as of 31 December 2013 to EUR 45,092 thousand as of 31 March 2014. The increase was mainly the result of retained profits.

Cash flow

	1Q 2013	1Q 2014
	'000 EUR	'000 EUR
net cash from operating activities	(1,157)	1,820
net cash from investing activities	77	(7,185)
net cash from financing activities	(61)	3,816
net movement in cash and cash equivalents	**(1,141)**	**(1,550)**
- exchange difference	675	(85)
cash at the beginning of the period	**11,435**	**11,983**
cash at the end of the period	**10,969**	**10,349**

In 1Q 2014 the Group generated positive cash flow from operating activities in the amount of EUR 1,820 thousand versus negative operating cash flow in 1Q 2013 in the amount of EUR -1,157 thousand. Better operating cash flow resulted mainly from relatively less additional working capital involved in operations and higher profit.

5. Key factors affecting operating and financial results

Domestic market trend

The Company has been noticing strong demand for more technologically advanced machines from domestic markets since 2012. This general trend is generated by growing expectations in the manufacturing industry focused on higher production capacity of the machines (speed), reliability of their operation as well as quality of the end products. Other factors driving technical development were the expectations concerning increase in operating ratio (operating time as opposed to technological breaks) and energy consumption decrease (per unit of the end product). The more sophisticated machines generate as well lower waste production. The increasing sales of full-servo machines is a demonstration of how strong quality and technology of the products have gained on importance and determinate the direction of development of the Group's products.

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.

Based on the results for 2011, 2012 and 2013 it may be noticed that percentage share of the first quarter in the annual sales amounts approximately to 20%.

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

Over 1Q 2014 as well as after the interim period there were no events that have not been reflected in the financial statements for the interim period.

Nevertheless it is worth to mention described below events:

Approval of AGM for capital increase

On the 24 April 2014 the Annual General Meeting approved a capital increase up to a maximum of 4,000,000 new ordinary shares. The exact number of shares to be issued and the issue price will be determined by the Management Board.

Dividend payment

The Annual General Meeting convoked for 24 April 2014 decided that the part of the net profit for the financial year 2013 in amount of EUR 1,560,000 will be distributed to its shareholders as a dividend in cash. Annual General Meeting set the dividend day on 6 May 2014 and the dividend payment day on 16 May 2014. More detailed information on the dividend policy is included in point 8. *Dividend policy.*

Unusual items, one-off events

Over 1Q 2014 there were no unusual items ore 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 1Q 2014 no important events or transactions took place that are significant for the financial position of the Group.

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

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

6. Strategy

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

- **Expanding sales in China to benefit from the expected growth in the daily-use hygiene product industry and to expand its international coverage**
- **Developing two international sales directions: the world's developing regions, and some already-developed markets.**
- **Brand recognition strengthening**
- **Further focus on R&D and quality enhancement**
- **Further increase in production capacity**

In 1Q 2014 due to faster growth of demand for machinery on the domestic market the Group realized a more significant growth on that market comparing to growth of international sales. Nevertheless the 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 the direct sales distribution channel which was reflected in 1Q 2014 results as well.

Investment plan

Due to the limited availability of external debt financing and lower than expected amount of financing from the Initial Public Offering, the Company was required to make necessary alterations to its previous investment plan, postponing execution of its phases and aligning them closely with expected capacity needs. As at the date of publication of this report, the Company remains in the process of revising its investment plan, which is closely related to the final stipulations of land (land use right) purchase agreement regarding certain investment obligation for the Company. The Company intends to communicate the altered version of the investment plan close after the land purchase agreement is concluded.

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 unfavourable 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.

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

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

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

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

The Group is subject to product liability exposure which could harm its reputation and adversely affect its business, financial condition and results of operations. The Group currently does not maintain product liability insurance to cover potential product liability arising from the use of its products. A product liability claim, with or without merit, can materially and adversely affect the marketability of the Group's products and its reputation, as well as its business, financial condition and results of operations.

The Group's products can expose the Group to potential product liability claims if they fail to perform as expected, or are proven to be defective, or if their use causes, results in, or is alleged to have caused or resulted in personal injuries, project delays or damages or other adverse effects. Any product liability claim, whether relating to personal injuries or project delays or damages, or related regulatory actions could prove costly and time-consuming to defend. If successful, product liability claims may require the Group to pay damages. The Group currently does not maintain product liability insurance to cover potential product liability arising from the use of its products. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third-party suppliers. Such third-party suppliers may not indemnify the Group for defects to such parts and components, or would only provide the Group with limited indemnification that is insufficient to cover the Group's damages resulting from product liability claims. A product liability claim, with or without merit, can materially and adversely affect the marketability of the Group's products and its reputation, as well as its business, financial condition and results of operations.

Moreover, a material design, manufacturing or quality-related failure or defect or other safety issues could each warrant a request for repair or replacement which may result in increased product liability claims. If the local authorities decide that the products, equipment or machinery fail to conform to applicable quality and safety requirements and standards, the Group could be subject to regulatory actions. A violation of local laws and regulations relating to product quality and safety may subject the Group to fines, penalties and prohibition to market or trade. In case of defects, the Group may be required to repair or replace the defective products, equipment or machinery, and effect any modification to render them safe before they can be distributed again on the market or employed in a project, which may also lead to significant expenses. Criminal liability can be triggered by violations of the general obligation to offer safe products or can arise from significant damages caused to the users of any defective products. All of the abovementioned events can materially and adversely affect the marketability of the Group's products and its reputation, as well as its business, financial condition and results of operations.

8. Dividend policy

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 did not 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.

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

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

The Company published information on dividend payment in the current report No 3/2014 dated 13 March 2014 as well as the current report No 7/2013 dated 24 April 2014.

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

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

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.

The Annual General Meeting held on 24 April 2014 approved a capital increase up to a maximum of 4,000,000 new ordinary shares. The exact number of shares to be issued and the issue price will be determined by the Management Board.

10. Outlook

The Group's mid-term target is to continue the double-digit pace of revenue growth, while maintaining the level of margins. The Company believes that the factors affecting operating and financial results will also affect the Group's operations in 2014.

The Company expects further growth in daily-use hygiene products in the Chinese market due to favourable market conditions, which is confirmed by the number of new orders and inquiries. In the overseas markets a further growth in the demand for value-for-money products is expected in developed countries on the one hand, and a growing tendency for switching to more sophisticated and state-of-the-art machinery in the developing countries on the other. The Company further believes that the diaper market will experience growth globally in 2014 owing to a number of factors. Positive trends include increasing world population, improving economic conditions and healthcare. Growing economies with markets not as deeply penetrated as the developed countries offer exceptional potential for the diaper business.

The Management also believes that in 2014 the demand for underpads will increase, mostly driven by improved healthcare and health awareness.

It is expected that with the growing demand for hygiene products, manufacturers in China will require more advanced machinery including full and semi-servo machines in 2014, while producers from developed countries will continue to look for cost-efficient full and semi-servo machines. The Group believes that the expansion of the distribution network and promotional efforts will lead to increased export volumes in 2014 which may allow parts of the Group's products to be sold with higher margins.

The Company observes that the importance of technological advancements and quality of machines is growing and clients expect more and more advanced machines. Consequently, the Company's competitors, in particular domestic ones, are developing their own R&D and are offering more advanced machines to attract customers. As a result, to keep its competitive position, the Group needs to further develop its own R&D activity in order to be able to offer sufficiently advanced machines. The Group believes that this trend will continue in the future.

11. Other information

Share capital structure

As of the reporting date i.e. 31 March 2014 the Company's share capital consisted of 13,000,000 ordinary shares with a nominal value of EUR 1 each.

On 1 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 of each.

Shareholders' structure

As of 31 March 2014 the Company's shareholding structure was as follows:

Shareholder	number of shares	% in the share capital
Mr Qiulin Xie (Principal Shareholder)	10,500,000	80.77%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.62%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	4.62%
Others	1 300,000	9.99%
Total	**13,000,000**	**100%**

As of 31 March 2014 80.77% 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 and Jinyuan Investment Holding Ltd, investment vehicles established in the British Virgin Islands and controlled by private individuals.

As of the date of publication of this quarterly report i.e. 15 May 2014, the Company's shareholding structure including shareholders holding at least 3% in the Company's share capital is as follows:

Shareholder	number of shares	% in the share capital
P.I. Investment Limited*	10,500,000	80.77%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.62%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	4.62%
Others	1 300,000	9.99%
Total	**13,000,000**	**100%**

* After the end of 1Q 2014 occurred a change in the Company's shareholders' structure. As a result of execution of the Contribution Agreement drawn up on 30 April 2014 with authenticated date concerning transfer of 10,500,000 shares of the Company from Mr Qiulin Xie to his direct subsidiary i.e. P.I. Investment Limited – a limited liability company registered and incorporated in Malta – as a result, direct stake in the Company held by Mr Qiulin Xie has decreased on 6 May 2014 to 0 shares. Mr Qiulin Xie holds 100% of the voting rights in P.I. Investment Limited, therefore the Company remains indirectly controlled by Mr Qiulin Xie.

Information on changes in the total number of votes was published by the Company in the current report No 9/2014, dated 7 May 2014.

Changes in ownership of shares and rights to shares by Management Board members in the three months ended 31 March 2014 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 directly 10,500,000 shares. Mr Qiulin Xie didn't hold as of 31 March 2014 and doesn't hold as of the date of publishing of this quarterly report any rights to shares.

On 6 May 2014 as a result of performance of the Contribution Agreement drawn up on 30 April 2014 with authenticated date between Mr Qiulin Xie and his subsidiary i.e. P.I. Investment Limited, 10,500,000 shares held directly by Mr Qiulin Xie were transferred to P.I. Investment Limited. At the date of publication of this quarterly report Mr Qiulin Xie doesn't hold directly any shares of the Company, however indirectly he holds 10,500,000 shares of the Company, which constituted 80.77% share capital of the Company.

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

Information on transfer shares by Mr Qiulin Xie was published by the Company in the current report No 10/2014 dated 7 May 2014.

Changes in ownership of shares and rights to shares by Supervisory Board members in the three months ended 31 March 2014 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 31 March 2014 and until the date of publication of this quarterly report and there was no changes in their shareholding or the number of rights to shares.

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 31 March 2014 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 three months ended 31 March 2014 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 May 2014,

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.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the three months ended 31 March 2014

Peixin International Group N.V.

Interim consolidated financial statements

For the three months ended 31 March 2014

CONTENTS	PAGES

Peixin International Group N.V.

Interim consolidated financial statements

For the three months ended 31 March 2014

	NOTES	Three months ended 31 March	
		2013	2014
		kEUR	kEUR
Revenue	8	10,590	12,434
Cost of sales	9	(6,796)	(7,757)
Gross profit		3,794	4,677
Other income	10	94	6
Distribution and selling expenses	11	(213)	(230)
Administrative expenses	12	(326)	(407)
Research and development expenses	13	(231)	(256)
Profit from operations		3,118	3,790
Other gains and losses		3	-
Finance income	14	82	51
Finance costs	15	(61)	(39)
Profit before tax		3,142	3,802
Income tax expense	16	(512)	(589)
Profit for the period		2,630	3,213
Other comprehensive income			
		-	-
Items that will be reclassified to profit or loss			
-currency translation differences		917	(357)
Total comprehensive income for the period		3,547	2,856
Attributable to:			
Owner of the Company		3,547	2,856
Earnings per share - basic (EUR)	19	0.20	0.25

	NOTES	As at 31 December 2013	As at 31 March 2014
		kEUR	kEUR
Non-current assets			
Property, plant and equipment	20	13,012	15,064
Prepaid lease payments	21	5,683	10,968
Investment properties	22	604	13
Other deferred assets	23	610	560
		19,909	26,605
Current assets			
Inventories	24	7,953	10,767
Trade and other receivables	26	10,204	10,662
Prepaid lease payments	21	22	22
Bank balances and cash	27	11,983	10,349
		30,162	31,800
Current liabilities			
Trade and other payables	28	3,159	2,662
Related parties payables	30	231	230
Advance from customers	29	3,653	5,758
Income tax payable		792	698
Bank borrowings	31	-	3,965
		7,835	13,313
Net current assets		22,327	18,487
Total assets less current liabilities		42,236	45,092
Non-current liability		-	-
Net asset		42,236	45,092
Capital and reserves			
Share/paid-in capital	32	13,000	13,000
Reserves	33	29,236	32,092
Total equity		42,236	45,092

	Attributable to Owners of the Company						
	Share capital kEUR (Note32)	Share premium kEUR (Note33)	Foreign currency translation reserve kEUR (Note33)	Statutory surplus reserve kEUR (Note33)	Retained profits kEUR (Note33)	Results for the year kEUR	Total kEUR
Balance at 1 January 2013[1]	41	3,302	2,179	1,630	5,609	11,369	24,130
Result appropriation	-	-	-	-	11,369	(11,369)	-
Profit for the period	-	-	-	-	-	2,630	2,630
Other comprehensive income for the period	-	-	917	-	-	-	917
Balance at 31 March 2013	41	3,302	3,096	1,630	16,978	2,630	27,677
Profit for the period	-	-	-	-	-	13,142	13,142
Other comprehensive income for the period	-	(607)	(1,608)	-	-	-	(2,215)
Appropriation to statutory surplus reserve	-	-	-	1,007	(1,007)	-	-
Shares transferred from BVI to N.V.	(41)	41	-	-	-	-	-
Capital injection	45	-	-	-	-	-	45
Share capital injected by contribution of shares	11,955	16,976	-	-	(28,931)	-	-
Share capital injected by IPO	1,000	2,587	-	-	-	-	3,587
Balance at 31 December 2013	13,000	22,299	1,488	2,637	(12,960)	15,772	42,236
Profit for the period	-	-	-	-	-	3,213	3,213
Other comprehensive income for the period	-	-	(357)	-	-	-	(357)
Balance at 31 March 2014	13,000	22,299	1,131	2,637	(12,960)	18,985	45,092

[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 year ended 31 December 2012 for better illustration have been presented with respect to historical statements of Peixin International BVI. As of the 31 December 2012 share capital of Peixin International BVI amounted 41 kEUR.

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
OPERATING ACTIVITIES		
Profit before tax	3,142	3,802
Adjustments for:		
Finance cost	61	39
Interest income	(77)	(39)
Depreciation of property, plant and equipment	331	468
Amortization of prepaid lease payments	6	6
Amortization of investment properties	12	1
Amortization of other deferred assets	48	48
Operating cash flows before movements in working capital	3,523	4,325
(Increase) decrease in inventories	(4,141)	(2,814)
(Increase) decrease in trade and other receivables	(802)	(458)
Increase (decrease) in trade and other payables	(20)	(497)
Increase (decrease) in related payables	-	(1)
Increase (decrease) in advance from customers	889	2,105
Cash generated from/ (used in) operations	(551)	2,660
Income taxes paid	(606)	(840)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	(1,157)	1,820
INVESTING ACTIVITIES		
Interest received	77	39
Purchase of property, plant and equipment	-	(1,865)
Purchase of land use right	-	(5,359)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	77	(7,185)

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
FINANCING ACTIVITIES		
Interest paid	(61)	(39)
New bank loans raised	-	3,965
Payment of IPO issuing expenses	-	(110)
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	(61)	3,816
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,141)	(1,550)
Less: Exchange difference	675	(85)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,435	11,983
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by cash and bank balances	10,969	10,349

1. GENERAL INFORMATION

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

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

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

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

As at 31 March 2014, the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries: Peixin International Group Ltd. (Peixin International BVI), Fujian Peixin Machine Manufacture Industry Co., Ltd. (Fujian Peixin), Quanzhou Peixin Machine Manufacture Industry Co., Ltd. (Quanzhou Peixin) and Baixin Industry Co., Ltd. (Baixin).

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

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

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

Due to the fact that the Company was incorporated on 2 July 2013, there is no historical financial information relating to the Company for the year ended 31 December 2012. The consolidated figures of Peixin International Group Ltd. (Peixin International BVI) have been used as comparative figures.

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

As at 31 March 2014 and the date of approval of the consolidated financial statements, Peixin International Group N.V. had the following wholly-owned subsidiaries:

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

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

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

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

(iv) Yongchun Baixin was established on 28 February 2014 with a registered capital of Renminbi 50,000,000.

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

As of 31 March 2014, the Company's shareholding structure was as follows:

Shareholder	No. of shares	% in the share capital
Xie Qiulin (Principal Shareholder)	10,500,000	80.77%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.62%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	4.62%
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)	300,000	2.31%
Market	1,000,000	7.69%
Total	**13,000,000**	**100%**

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

Except as described below, for the period ended 31 March 2014 the Company has consistently adopted all the new and revised standards, amendments and interpretations (collectively IFRSs) issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as "International Financial Reporting Interpretations Committee" ("IFRIC")) of the IASB as adopted by the European Union ("adopted IFRSs") that are effective for financial year beginning on 1 January 2013 in the preparation of the consolidated financial statements throughout the Periods.

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

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

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

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

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

IFRS 14	Regulatory Deferral Accounts
IAS 16 (amendments)	Property, Plant and Equipment
IAS 19 (amendments)	Employee Benefits
IAS 38 (amendments)	Intangible Assets
IFRS 11 (amendments)	Joint Arrangements
IFRIC 21	Levies

Annual Improvements 2010-2012 Cycle

Annual Improvements 2011-2013 Cycle

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the European Union. 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.

4. SIGNIFICANT ACCOUNTING POLICIES –continued

<u>Foreign currencies</u>

Functional and presentation currency

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

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

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

	Period end rates	Average rates
31 March 2013	EUR 1.00= RMB 8.0383	EUR 1.00=RMB 8.2710
31 December 2013	EUR 1.00=RMB 8.4189	EUR 1.00=RMB 8.2396
31 March 2014	EUR 1.00=RMB 8.4607	EUR 1.00=RMB 8.3964

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

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

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

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

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

Transactions and balances

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Segment reporting

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

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

Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Research and development expenditure

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

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

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

Borrowing costs

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

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

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

The tax currently payable is based on taxable profit for the period. 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.

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

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

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

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

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

Investment property

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

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

Other deferred assets

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

Prepaid investments

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Leased assets

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

<u>Financial instruments-continued</u>

Financial assets-continued

Loans and receivables

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

Impairments of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments-continued

Financial assets-continued

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Capital and Reserves

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

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

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

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

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

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

Allowance for Bad and Doubtful debts

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

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES - continued

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and differed tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 March 2013 and 2014 amounted to kEUR 792 and kEUR 698 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.

<u>Depreciation of building, machinery and equipment</u>

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

7. SEGMENT REPORTING

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

By business

Revenue:	Three months ended 31 March			
	2013		2014	
	Unit	kEUR	Unit	kEUR
External customers				
Sanitary napkins machines	11	3,392	14	5,575
Diaper machines	8	4,397	11	4,731
Facial tissue machines	138	2,336	112	1,843
Other paper machines	16	465	20	285
	173	10,590	157	12,434

Results:	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Segment gross profit		
Sanitary napkins machines	1,201	2,172
Diaper machines	1,638	1,753
Facial tissue machines	815	668
Other paper machines	140	84
	3,794	4,677

By Geographical Information

	Three months ended 31 March			
	2013		2014	
	Unit	kEUR	Unit	kEUR
Revenue:				
Direct sales				
-Mainland China	114	5,858	87	8,076
-Outside Mainland China	18	923	20	914
Sales to trading companies	41	3,809	50	3,444
	173	10,590	157	12,434

	As at 31 December	As at 31 March
	2013	2014
	kEUR	kEUR
Current assets		
-Sanitary napkins machines	6,920	8,078
-Diaper machines	4,880	6,200
-Facial tissue machines	1,097	1,814
-Other paper machines	337	541
-Unallocated current assets	16,928	15,167
	30,162	31,800

7. SEGMENT REPORTING – continued

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Non-current assets		
-Sanitary napkins machines	-	-
-Diaper machines	-	-
-Facial tissue machines	-	-
-Other paper machines	-	-
-Unallocated non-current assets[1]	19,909	26,605
	19,909	26,605

[1]The reason for not allocating non-current assets was that the manufacturing facilities (including the production line, buildings and plants, land use right and etc.) were shared by the four product categories and can't be split.

8. REVENUE

Revenue represents revenue arising on sales of goods.
Revenue is denominated in the following currencies:

	Three months ended 31 March 2013	Three months ended 31 March 2014
	kEUR	kEUR
Renminbi ("RMB")	9,667	11,520
United States Dollars ("USD")	923	914
	10,590	12,434

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:

	Three months ended 31 March 2013	Three months ended 31 March 2014
	kEUR	kEUR
Changes in inventories of finished goods and work in progress	(2,360)	(2,513)
Glue machines and motors	2,802	2,893
Steel	1,343	2,000
Electric controllers	1,389	1,502
Knife roller\cylinder	307	353
Other components	1,311	1,642
Auxiliary materials	220	279
Materials consumed in production	7,372	8,669
Labor	784	849
Depreciation and amortization	289	292
Outsourced manufacturing cost	336	359
Taxes and surcharges *	31	10
Water and electricity	121	125
Others	36	9
Foreign currency translation difference	187	(43)
	6,796	7,757

9. COST OF SALES-continued

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

10. OTHER INCOME

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Rental income	9	1
Sales of spare parts	85	5
	94	6

11. DISTRIBUTION AND SELLING EXPENSES

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Staff costs	108	119
Marketing and advertising costs	40	33
Post-sales services costs	26	26
Travelling costs	11	11
Depreciation	2	1
Agency costs	-	21
Others	26	19
	213	230

12. ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Staff costs	91	93
Depreciation and amortization charges	91	89
Entertainment and office expenses	35	34
Miscellaneous taxes	10	6
External advisors	-	114
Others	99	71
	326	407

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise following expenses:

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Materials	125	133
Staff costs	103	116
External advisors	-	5
Depreciation charges	3	2
	231	256

14. FINANCE INCOME

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Interest income	77	39
Foreign exchange gain, net	5	12
	82	51

15. FINANCE EXPENSES

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Interest expenses on bank borrowings wholly repayable within one year	61	39

Bank borrowings interests are charged on interest rates of 6.000% to 6.560%, 6.560%, per annum during the periods ended 31 March 2013 and 2014 respectively.

16. INCOME TAX EXPENSE

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Current tax:		
PRC enterprise income tax	512	589

The Company is incorporated in Netherlands and does not have any taxable income.

The Company is incorporated in BVI and does not have any taxable profits subject to BVI Profits Tax since its incorporation.

Peixin International Group Ltd. is incorporated in BVI and does not have any taxable income.

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 31 March 2013 and 2014, Quanzhou Peixin has no recognized tax losses and no income tax was charged for the periods ended 31 March 2013 and 2014.

The applicable enterprise income tax rate of Yongchun Baixin is 25%. At 31 March 2013 and 2014, Yongchun Baixin has no recognized tax losses and no income tax was charged for the periods ended 31 March 2013 and 2014.

17. EMPLOYEES' EMOLUMENTS

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Salaries and other short-term benefits	1,053	1,144
Defined contribution benefit schemes	33	33
Total employee benefits expense (including directors' emoluments)	1,086	1,177

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.

18. KEY MANAGEMENT EMOLUMENTS

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

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Directors' emoluments		
- Salaries		
Xie Qiulin	17	17
Xie Kaida	5	5
Dai Hongyan	11	11
Xue Bas	-	-
	33	33

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Supervisory board' emoluments		
- Salaries		
Li Ya	-	*
Shen Ming	-	*
Liem Tsong LucienTjon	-	*
Jaroslaw Dariusz Dabrowski	-	4
Wu Rongfu	7	7
	7	11

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
- Social Welfare		
Xie Qiulin	*	*
Xie Kaida	*	*
Dai Hongyan	*	*
Wu Rongfu	*	*
	*	1

* Amount less than EUR 1,000.

19. EARNINGS PER SHARE

	Three months ended 31 March	
	2013	2014
	EUR	EUR
Basic earnings per share		
From continuing operations	0.20	0.25
Total basic earnings per share	0.20	0.25

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

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	2,630	3,213

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Weighted average number of ordinary shares for the purpose of basic earnings per share[1]	13,000,000	13,000,000

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

[1]The number of shares in the first three months of 2013 was not equal to 13,000,000 due to the calculation of basic earnings per share.

20. PROPERTY, PLANT AND EQUIPMENT

	Plant & buildings	Machinery &equipment	Electronic equipment	Office equipment	Motor vehicles	Prepayments for Machineries	Construction in process	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR		kEUR
COST							-	
At 31 December 2012	7,369	4,920	269	566	368	-	-	13,492
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Translation adjustment	256	171	10	20	12	-	-	469
At 31 March 2013	7,625	5,091	279	586	380	-	-	13,961
At 31 December 2013	7,280	6,202	266	559	363	3,342	-	18,012
Additions	735	3,610	-	-		177	1,429	5,951
Disposals	-	-	-	-		(3,351)	-	(3,351)
Translation adjustment	(41)	(59)	(2)	(2)	(2)	8	(11)	(109)
At 31 March 2014	7,974	9,753	264	557	361	176	1,418	20,503
DEPRECIATION								
At 31 December 2012	(1,474)	(1,694)	(181)	(408)	(162)	-	-	(3,919)
Provided for the period	(183)	(113)	(10)	(17)	(8)	-	-	(331)
Eliminated on disposals of assets	-	-	-	-	-	-	-	-
Translation adjustment	(57)	(61)	(7)	(14)	(6)	-	-	(145)
At 31 March 2013	(1,714)	(1,868)	(198)	(439)	(176)	-	-	(4,395)
At 31 December 2013	(2,176)	(1,954)	(217)	(459)	(194)	-	-	(5,000)
Provided for the period	(268)	(168)	(10)	(13)	(9)	-	-	(468)
Eliminated on disposals of assets	-	-	-	-	-	-	-	-
Translation adjustment	14	11	1	2	1	-	-	29
At 31 March 2014	(2,430)	(2,111)	(226)	(470)	(202)	-	-	(5,439)
CARRYING AMOUNT								
At 31 March 2013	5,911	3,223	81	147	204	-	-	9,566
At 31 December 2013	5,104	4,248	49	100	169	3,342	-	13,012
At 31 March 2014	5,544	7,642	38	87	159	176	1,418	15,064

20. PROPERTY, PLANT AND EQUIPMENT-continued

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis with 5% residual value at the following rates per annum:

Buildings	5%
Machinery & equipment	10%
Electronic & other facilities	20%
Motor vehicles	10%

All the plant & buildings on mentioned above were owned by Quanzhou Peixin.

Buildings on leasehold land comprise:

	Location	Description	Gross area (m^2)
*	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Dormitory	3,759
*	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	16,876
*	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Office building	4,554
	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	1,120
	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	4,045

* Items pledged to secure bank borrowings

The Group pledged buildings having a carrying amount of kEUR 4,220 as at 31 March 2014 to secure general banking facilities granted to the Group (31 December 2013: Nil).

The gross carrying amount of the fully depreciated property, plant and equipment that is still in use is kEUR 49 as at 31 March 2014 (31 December 2013: kEUR 21).

21. PREPAID LEASE PAYMENTS

	Land use right	Prepayments	Total
		kEUR	kEUR
Cost			
At 31 December 2012	1,113	-	1,113
additions	-	-	-
translation adjustment	39	-	39
At 31 March 2013	1,152	-	1,152
At 31 December 2013	1,100	4,752	5,852
Additions	-	5,359	5,359
translation adjustment	(5)	(65)	(70)
At 31 March 2014	1,095	10,046	11,141

21. PREPAID LEASE PAYMENTS-continued

AMORTIZATION			
At 31 December 2012	(126)	-	(126)
charge for the period	(6)	-	(6)
translation adjustment	(4)	-	(4)
At 31 March 2013	(136)	-	(136)
At 31 December 2013	(147)	-	(147)
charge for the period	(6)	-	(6)
translation adjustment	2	-	2
At 31 March 2014	(151)	-	(151)
CARRYING AMOUNTS			
At 31 March 2013	1,016	-	1,016
At 31 December 2013	953	4,752	5,705
At 31 March 2014	944	10,046	10,990

Analyzed for reporting purposes as:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Non-current asset	5,683	10,968
Current asset	22	22
	5,705	10,990

The amounts represent the prepayment of rentals for land use right (industrial use) situated in the PRC. The leasehold lands have the term of 50 years.

All the leasehold lands mentioned above were owned by Quanzhou Peixin.

The Group has pledged leasehold land having a carrying amount of approximately kEUR 943 at 31 March 2014 to secure general banking facilities granted to the Group (31 December 2013: Nil).

The leasehold land comprises:

	Location	Expiry date of tenure	Land area (m^2)
*	Fuqiao Houkeng Village, Licheng District, Quanzhou City, Fujian Province, the PRC	2054-12-31	1,500
*	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2057-06-28	30,287
*	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2057-06-28	22,882
*	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2053-07-25	786

* Items pledged to secure bank borrowings

22. INVESTMENT PROPERTIES

	Amount
	kEUR
Cost	
At 31 December 2012	997
translation adjustment	35
At 31 March 2013	1,032
At 31 December 2013	985
Disposals	(735)
translation adjustment	1
At 31 March 2014	251
AMORTISATION	
At 31 December 2012	(338)
charge for the period	(12)
translation adjustment	(12)
At 31 March 2013	(362)
At 31 December 2013	(381)
charge for the period	(1)
eliminated on disposals of assets	143
translation adjustment	1
At 31 March 2014	(238)
CARRYING AMOUNTS	
At 31 March 2013	670
At 31 December 2013	604
At 31 March 2014	13

All the investment properties buildings mentioned above were owned by Quanzhou Peixin.

The amounts represent the buildings owned by the Group and leased out to third parties under operating leases as below:

	Location	Description	Gross area (m^2)
*	Fuqiao Houkeng Village, Licheng District, Quanzhou City, Fujian Province, the PRC	Leased out	3,202

* Items pledged to secure bank borrowings

The Group has pledged investment property having a carrying amount of approximately kEUR 13 at 31 March 2014 to secure general banking facilities granted to the Group (31 December 2013: Nil).

23. OTHER DEFERRED ASSETS

Other deferred assets mainly comprises of costs of plant greening project and office building renovation.

	Amount
	kEUR
Cost	
At 31 December 2012	1,239
translation adjustment	43
At 31 March 2013	1,282
At 31 December 2013	1,224
translation adjustment	(6)
At 31 March 2014	1,218
AMORTISATION	
At 31 December 2012	(429)
charge for the period	(48)
translation adjustment	(16)
At 31 March 2013	(493)
At 31 December 2013	(614)
charge for the period	(48)
translation adjustment	4
At 31 March 2014	(658)
CARRYING AMOUNTS	
At 31 March 2013	789
At 31 December 2013	610
At 31 March 2014	560

24. INVENTORIES

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Raw materials and consumables	3,269	3,569
Work in progress	4,043	6,363
Finished goods	641	835
	7,953	10,767

25. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Trade and other receivables (Note 26)	9,692	10,294
Bank balances and cash (Note 27)	11,983	10,349
	21,675	20,643

25. FINANCIAL ASSETS AND LIABILITIES-continued

Financial liabilities measured at amortized cost

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Current		
Trade and other payables (Note 28)	2,949	2,645
Advance from customers (Note 29)	3,653	5,758
Related parties payables (Note 30)	231	230
Bank borrowings (Note 31)	-	3,965
	6,833	12,598

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

26. TRADE AND OTHER RECEIVABLES

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Trade receivables	8,549	9,435
Other receivables	1,143	859
Subtotal financial assets	9,692	10,294
Prepayments	512	368
	10,204	10,662

Trade and other receivables are denominated in the following currencies:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Renminbi (“RMB”)	8,184	7,681
United States Dollars (“USD”)	1,968	2,929
Euros (“EUR”)	52	52
	10,204	10,662

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

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

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Current	8,549	8,156

26. TRADE AND OTHER RECEIVABLES-continued

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

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Past due for less than 3 months	-	1,279
Past due for over 3 months but less than 9 months	-	-
	-	1,279
	8,549	9,435

27. BANK BALANCES AND CASH

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Cash on hand	37	43
Bank balances	11,946	10,306
	11,983	10,349

Bank balances and cash are denominated in the following currencies:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Renminbi (“RMB”)	10,290	9,038
United States Dollars (“USD”)	52	40
Hong Kong Dollars (“HKD”)	*	*
Euros (“EUR”)	1,619	1,269
Zlotys (“PLN”)	22	2
	11,983	10,349

* 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 31 March 2014 carry interest at market rates which ranged from 0.35% to 0.5% (2013: 0.35%-0.50%) per annum.

28. TRADE AND OTHER PAYABLES

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Trade payables	2,248	1,852
Other payables	9	160
Salary payables	692	633
Subtotal financial liabilities	2,949	2,645
Tax payables other than income tax	210	17
	3,159	2,662

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 2013	As at 31 March 2014
	kEUR	kEUR
Current	2,248	1,852

29. ADVANCE FROM CUSTOMERS

Advance from customers comprise down payment received for trade sales.

Advance from customers are denominated in the following currencies:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Renminbi (“RMB”)	364	2,100
United States Dollars (“USD”)	3,289	3,658
	3,653	5,758

The aging analysis of advance from customers is as follows:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Less than 3 months	820	2,510
Over 3 months but less than 1 year	2,227	2,349
Over 1 year but less than 1 and a half years	606	899
	3,653	5,758

30. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Group
Xie Qiulin	Director of the Group

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

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Xie Qiulin	231	230
	231	230

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

31. BANK BORROWINGS

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Secured bank borrowings	-	3,965
Carrying amount repayable within 1 year	-	3,965

The borrowings are fixed-rate and denominated in RMB.

2014-03-31

Bank loans	Amount kEUR	Period		Interest rate	Mortgage	Personal guarantee
#19	171	2014-1-7	2015-1-7	6.00%	Land use right and buildings	Xie Qiulin
#20	591	2014-1-9	2015-1-9	6.00%	Land use right and buildings	Xie Qiulin
#21	1,820	2014-1-21	2015-1-21	6.00%	Land use right and buildings	Xie Qiulin
#22	634	2014-1-24	2015-1-24	6.00%	Land use right and buildings	Xie Qiulin
#23	749	2014-1-28	2015-1-28	6.00%	Land use right and buildings	Xie Qiulin
	3,965					

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

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Land use right	-	943
Buildings	-	4,233
	-	5,176

Information of the pledged assets is set out in Note 20, 21 and 22.

A personal guarantee was provided by director of the Company, Xie Qiulin for loan amount of kEUR 3,965 among the balances at 31 March 2014 (31 December 2013: Nil).

32. SHARE / PAID-IN CAPITAL

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

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

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

	Numbers of shares	Share capital EUR
Authorized and issued and fully paid		
Ordinary shares of USD1.00		
each on the date of incorporation,		
at 31 March 2014	13,000,000	13,000,000

33. RESERVES

Share premium

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

Statutory surplus reserve

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

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

The statutory surplus reserve of the Group amounts to kEUR 2,637 at 31 March 2014 (31 December 2013: kEUR 2,637). 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.

34. RELATED PARTY TRANSACTIONS

Compensation to director of the Company

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Xie Qiulin		
-Short-term employee benefits	17	17
-Social welfare	*	*
	17	17
Xie Kaida		
-Short-term employee benefits	5	5
-Social welfare	*	*
	5	5
Dai Hongyan		
-Short-term employee benefits	11	11
-Social welfare	*	*
	11	11
Li Ya		
-Short-term employee benefits	-	*
-Social welfare	-	-
	-	*
Shen Ming		
-Short-term employee benefits	-	*
-Social welfare	-	-
	-	*
Liem Tsong Lucien Tjon		
-Short-term employee benefits	-	*
-Social welfare	-	-
	-	*
Jaroslaw Dariusz Dabrowski		
-Short-term employee benefits	-	4
-Social welfare	-	-
	-	4
Wu Rongfu		
-Short-term employee benefits	7	7
-Social welfare	*	*
	7	7

*Amount less than EUR 1,000.

34. RELATED PARTY TRANSACTIONS-continued

Personal undertaking loans guaranteed by director of the Company

	Three months ended 31 March	
	2013	2014
	kEUR	kEUR
Xie Qiulin	-	3,965

35. FOREIGN CURRENCY SENSITIVITY

The business of the Group is mainly carried out in the People's Republic of China ("the PRC"). The domestic sales and purchases are denominated in Renminbi ("RMB"). The export sales are denominated in United States Dollar ("USD").

The Group incurs foreign currency risk on expenses and transactions denominated in currencies of USD. In addition, the Group prepares financial statements in EUR and therefore their results and net asset position are exposed to retranslation risk as a result of fluctuation in the EUR exchange rate.

The Group's currency exposure based on the information provided to key management is as follows:

2013-12-31

	RMB	USD	EUR	PLN
	kEUR	kEUR	kEUR	kEUR
Financial assets				
Trade and other receivables (Note 26)	7,672	1,968	52	-
Bank balances and cash (Note 27)	10,290	52	1,619	22
	17,962	2,020	1,671	22

	RMB	USD	EUR
	kEUR	kEUR	kEUR
Financial liabilities			
Trade and other payables (Note 28)	2,949	-	-
Related parties payables	-	-	231
Advances from customers	364	3,289	-
	3,313	3,289	231

2014-03-31

	RMB	USD	EUR	PLN
	kEUR	kEUR	kEUR	kEUR
Financial assets				
Trade and other receivables (Note 26)	7,485	2,757	52	-
Bank balances and cash (Note 27)	9,038	40	1,269	2
	16,523	2,797	1,321	2

35. FOREIGN CURRENCY SENSITIVITY-continued

	RMB	USD	EUR
	kEUR	kEUR	kEUR
Financial liabilities			
Trade and other payables (Note 28)	2,645	-	-
Related parties payables	-	-	230
Advances from customers	2,100	3,658	-
	4,745	3,658	230

A 5% strengthening of the RMB/ USD/ PLN against the EUR as at 31 March 2013 and 31 March 2014 would have had the following impact on the net profit after taxation and equity by the amounts shown below:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
RMB	623	589
USD	(54)	(43)
PLN	1	-

A 5% weakening of the RMB/ USD/ PLN against the above currency as at 31 March 2013 and 31 March 2014 would have the equal but opposite effect on the currency of the amounts shown above.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risks.

36. CONTINGENCIES

As at 31 March 2014, the Group had no contingencies that needed to be disclosed.

37. COMMITMENTS

As at 31 March 2014, the Group had no commitments that needed to be disclosed.

(1) The Company had the following capital commitments in respect of the land use right which were contracted but not fully provided for in the financial statements:

	As at 31 December 2013	As at 31 March 2014
	kEUR	kEUR
Contracted and authorized	5,969	1,212

38. EVENT AFTER THE REPORTING PERIOD

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

The interim consolidated financial statements on page 2 to 39 were approved and authorized for issue by the Board of Directors on May 14, 2014 and are signed on its behalf by:

Xie Qiulin DIRECTOR	Dai Hongyan DIRECTOR
Xie Kaida DIRECTOR	Bas Xue DIRECTOR
Li Ya MEMBER OF THE SUPERVISORY BOARD	Shen Ming MEMBER OF THE SUPERVISORY BOARD
Liem Tsong Lucien Tjon MEMBER OF THE SUPERVISORY BOARD	Jaroslaw Dariusz Dabrowski MEMBER OF THE SUPERVISORY BOARD
Wu Rongfu MEMBER OF THE SUPERVISORY BOARD	

Independent Auditor's review report

Review report

To: the board of Peixin International Group N.V.

Introduction

We have reviewed the accompanying consolidated interim financial statements of Peixin International Group N.V., Amsterdam, for the period ended 31 March 2014. Management is responsible for the preparation of the consolidated interim financial statements based on and in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to issue a review report on these consolidated interim financial statements.

Scope

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This requires that we plan and perform the review to obtain moderate assurance about whether the consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view of the financial position of Peixin International Group N.V. as at 31 March 2014, and of its results for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Amstelveen, 15 May 2014

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
J.A. de Rooij RA