



**Consolidated Financial Semi-Annual Report
of PEIXIN International Group N.V.**

**for the six months ended
30 June 2015**

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1. Letter to the Shareholders

Dear Shareholders,

It is my pleasure to present the consolidated financial report of PEIXIN International Group N.V. for 1H 2015.

The first half of 2015 was not easy for the Company, in particular due to the declining Chinese economy.

Net profit generated in 1H 2015 decreased by about 13% yoy to EUR 7.1 million. In the first half of 2015 number of units sold by the Company decreased by over 10% compared to 1H2014 and amounted 354 machines. The sales revenue generated in the first half of 2015 expressed in EURO increased by over 10% and equals EUR 34.9 million /31,6 in 1H 2014 respectively/. However because of significant depreciation of EURO with respect to RMB by about 18% yoy the real sales revenue expressed in RMB has been decreased by ca. 10% compared to the first half of 2014 in particular due to declining Chinese economy. The biggest growth of revenues Company achieved in facial tissue machines segment. Revenues in this segment increased by over 25%. When it comes to geographical breakdown – in the first half 2015 revenues was mainly generated by international sales and constituted over 57% total revenues achieved in this period. Due to the dynamic activity of the Group's overseas marketing team number of units sold Outside Mainland China Number increased by over 20% compared to the first half of 2014.

In the second half of 2015 Company conducts consultations with the local government concerning modification of the investment schedule in the new plant, but the consultations are not finalized yet.

Yours Sincerely

Qiulin Xie

CEO PEIXIN International Group N.V.

2. General information about the Group

2.1 The Group structure

As of the reporting date i.e. 30 June 2015 the Group was comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries. The Peixin International Group N.V. is the sole shareholder of Peixin International BVI, whereas Peixin International BVI (Peixin International Group Ltd.) is a sole shareholder of three subsidiaries: Fujian Peixin Machine Manufacture Industry Co. Ltd., Quanzhou Peixin Machine Manufacture Industry Co. Ltd. and Baixin Industry Co. Ltd.

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

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



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

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

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

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



Pictures above present insight into assembling workshop in Fujian

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

— **Baixin Industry** is a special purpose subsidiary established in connection with purchase land in Yongchun county and investment in a new plant settled on this land. The sole shareholder of Baixin is Peixin International BVI, direct subsidiary of the Company. The registered capital of the Baixin amounts to five million euro and its registered office is Fujian Province, Yongchun city, Yongchun county. Baixin's scope of business is manufacturing including production of the general machines, as well as hygienic products machines and the other machine in the other industry.

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

2.2 Changes in the composition of the Group

During 1H 2015 composition of the Peixin Group didn't change.

2.3 Business and products description

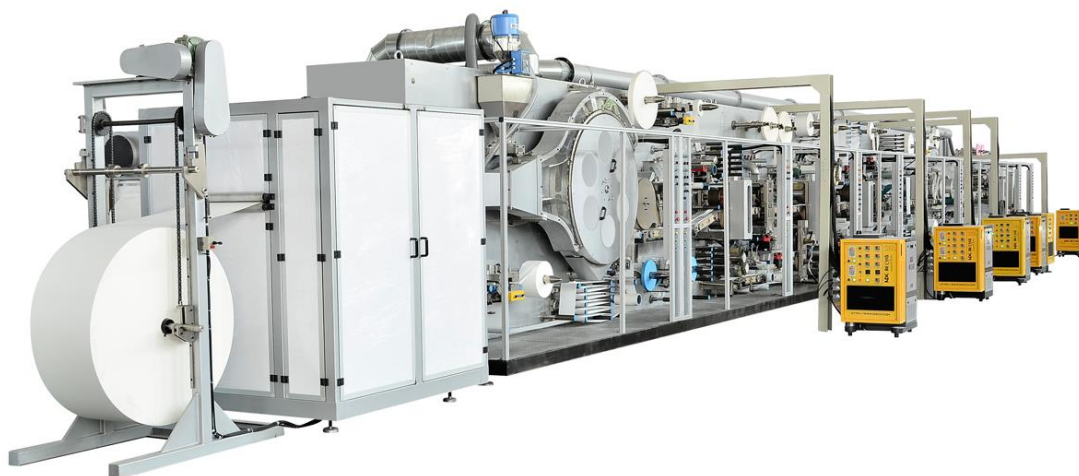
The Group designs, produces and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. Depending on the type and functionalities of machines, they can be divided for semi-automatic, fully-automatic, semi-servo or full-servo machines.

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

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

Diaper machines segment:

Full-servo Control Elastic Laminated Waistband Baby Diaper Production Line



Full-servo control full-function baby diaper line



Full-servo Control Pull-up Panty Production Line



Full-servo Control Elastic Laminated Waistband Baby Diaper Production Line



Sanitary napkin machines segment:

Automatic Folding Napkin Paper Machine



Semi-automatic Sanitary Napkin Production Line



Tissue machine segment:

Semi-servo Pets Pad Line



As of the 30 June 2015, the Group offered over 40 models of machines.

The main models are the Full-servo Control Elastic Laminated Waistband Baby Diaper Production Line, Full-servo Control Pull-up Panty Production Line and Full servo Control Elastic Laminated Waistband Baby Diaper Production Line respectively, which represent the new progress direction of the hygiene technology.

With nearly 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest values 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.

The Group's business is mainly driven by the daily-use hygiene products market, currently experiencing growth in developing countries. In particular, the market for diapers for babies and elderly people drives the diaper machine market. Due to consistent improvement on the technology, the Group has the ability to produce more sophisticated diaper machines. 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. During 2014 the Company commenced cooperation with Automated Systems of Tacoma (AST). Subject of the cooperation with AST covers among others works on new generation of baby diaper machine.

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

2.4 Market overview

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

According to Global Diaper Market Report 2014-2018 prepared by Kimberly-Clark, Svenska Cellulosa Aktiebolaget, P&G & Unicharm Corp Dominates the Market, one of the major drivers in this market is the increasing average disposable income among the population. There is a low level of volatility in the per capita disposable income of the people. Moreover, the purchasing power of people has increased exponentially. The affordability of diapers has grown in the developing countries, while there is a high penetration of diapers in the

developed nations. One of the major trends in the market is the increased R&D investments by the vendors. The Global Diaper market is witnessing several innovations for the improvement of the performance and the efficiency of diapers. The investments are aimed to enhance the bio-degradability of the product and its safety for usage. The designing of diapers as well as the usage of improved and beltless technology are the focus of the R&D investments. Also, investments are made by the vendors for protection of their brands and to prevent infringement of copyright by other low-cost producers. Thus, the market is expected to experience increased R&D expenditure by the vendors to develop a sustainable competitive advantage. Further, the report states that one of the major challenges in this market is the declining birth rates in the developed markets. The decline occurred during the great recession, when there was high unemployment, which discouraged people to expand their families*.

Simultaneously, a new report by Allied Market Research titled, "Global Baby Diapers Market (Product Types and geography) - Size, Share, Global Trends, Company Profiles, Demand, Insights, Analysis, Research, Report, Opportunities, Segmentation and Forecast, 2013 - 2020", forecast that the global baby diapers' market would reach \$59.4 billion by 2020. Overall, disposable diapers segment garnered about 66% market share in the baby diapers' market owing to unique features such as ultra-absorbency, range of ergonomic shapes and sizes. The environmentally friendly and re-usability features of 'cloth diapers' would propel the baby diapers' market and these features eventually would lead to substantial market growth during the forecast period (as opposed to other segments). Most of the leading market players are focusing on sophisticated marketing programs and aggressive market expansion strategies, thus increasing suppliers' businesses. Geographically, increasing purchasing power, growing awareness and enhanced supply-side infrastructure in rural areas have influenced the growth of the Asia Pacific regional diapers' market**.

During 1H 2015 there was visible the slowdown in Chinese economic growth. The Company expects that the declining economy situation in China may be continued.

*source: <http://www.reuters.com>

** source: <http://www.prnewswire.com>

2.5 The most important events during 1H 2014

Personal changes in the Supervisory Board

During 1H 2015 there were personal changes in the Supervisory Board.

The Company received the resignation of Mr Jaroslaw Dabrowski from holding the function of a Member of the Supervisory Board of Peixin International Group N.V. Mr Jaroslaw Dabrowski in the declaration of resignation as a reasons for his decision stated new professional challenges of a time consuming nature.

Subsequently, on 18 May 2015 the Supervisory Board of the Company nominated Mr. Zhanghe Du for the function of the Member of the Supervisory Board of the Company. On 29 June 2015, Annual General Meeting of the shareholders decided to appoint Mr. Zhanghe Du as a member of the Supervisory Board with effect as of the close of the meeting for a period of two (2) years ending immediately following the annual general meeting to be held in 2017.

Personal changes in the Management Board

During 1H 2015 there were also personal changes in the Management Board.

Ms Hongyan Dai submitted resignation from holding both the function of the Chief Financial Officer and the Member of the Company's Management Board. The resignation became effective as of 12 March 2015. Ms

Hongyan has been holding her function since 9 September 2013. Ms Hongyan Dai indicated the personal health issue as the reason for resignation.

Then on 28 April 2015 the Supervisory Board of the Company nominated Mr Zhimin Huang for both the function of the Member of the Company's Management Board as well as conditionally as the Chief Financial Officer. On 29 June 2015, Annual General Meeting of the shareholders decided to appoint Mr. Zhimin Huang as a member of the Management Board with effect as of the close of the meeting for a period of three (3) years ending immediately following the annual general meeting to be held in 2018.

Moreover on 18 May 2015 the Supervisory Board has nominated Mr Kaida Xie for reappointment to the Management Board of the Company. On 29 June 2015, Annual General Meeting of the shareholders decided to appoint Mr. Kaida Xie as a member of the Management Board with effect as of the end of the meeting for a period of two (2) years ending immediately following the annual general meeting to be held in 2017.

Decision of the Management Board regarding dividend payment

On 11 May 2015, the Management Board of the Company decided to change Company's dividend policy and consequently it recommended to the Annual General Meeting approving the financial statements for 2014 to allocate its consolidated net profit for 2014 for raising reserve capitals with the intention to finance investments. On 29 June 2015, Annual General Meeting of the shareholders decided to allocate its consolidated net profit for 2014 for raising reserve capitals with the intention to finance investments.

Annual General Meeting of Shareholders of Peixin International Group N.V. held on 29 June 2015

Annual General Meeting of the shareholders held on 29 June 2015 in Amsterdam, the Netherlands. The agenda items were typical for the items of the Annual General Meeting. Results of the Annual General Meeting held on 29 June 2015 was disclosed by the Company in the current report No. 10/2015.

Investment plan

During 1H 2015 the Company did not receive from the local Chinese government any settlements concerning new schedule of investment plan. The Company is under the process of the investment in the new plant, nevertheless because of delays in expenditures which supposed to be made by the local government into the infrastructure, on a zone where the Company's plot is located, like wiring installation, water-supply system, etc., the initial investments planned by the Company had to be postponed. In 1H 2015 the Company continued consultations with the local government concerning modification of the investment schedule in the new plant, but the consultations are not finalized yet. Taking into consideration foregoing pace in progress of the consultations with the government, the Company doesn't expect their finalization in this year. More detailed information was disclosed by the Company in the current report No. 12/2015.

3. Selected financial data

'000 EUR	1H 2014	1H 2015
revenues	31,564	34,950
gross profit	11,843	11,512
operating profit	9,718	8,087
EBITDA	10,828	9,545
profit before tax	9,677	8,146

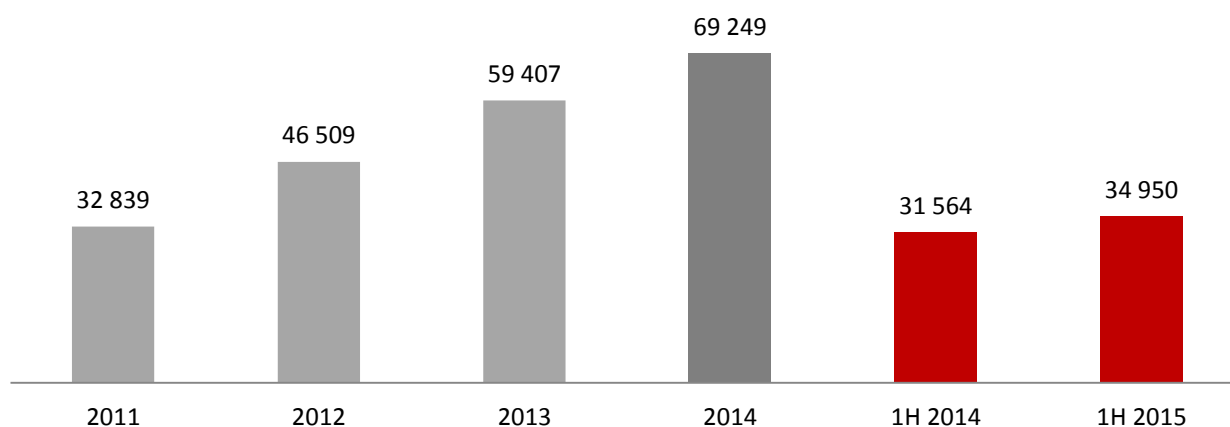
net profit	8,204	7,141
cash flow from operating activities	6,204	5,334
cash flow from investing activities	(9,721)	(700)
cash flow from financing activities	2,381	-
net increase in cash and cash equivalents	(1,136)	4,634

'000 EUR	31 Dec 2014	30 June 2015
non-current assets	35,647	37,964
current assets	35,892	45,941
total assets	71,539	83,905
long-term liabilities	-	-
short-term liabilities	7,757	7,716
total equity	63,782	76,189
paid-in capital	13,000	13,000

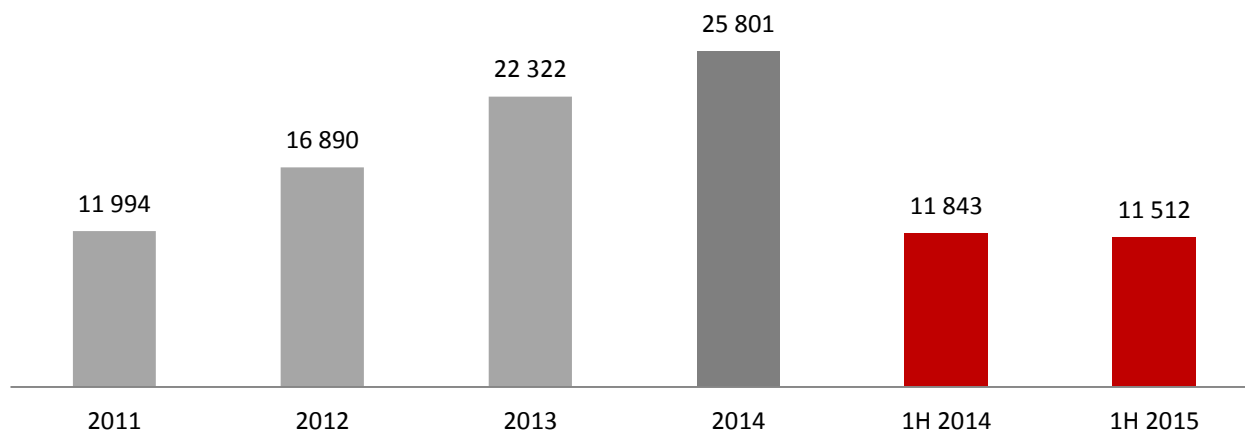
3.1 Operating and financial review

3.1.1 Key financial charts

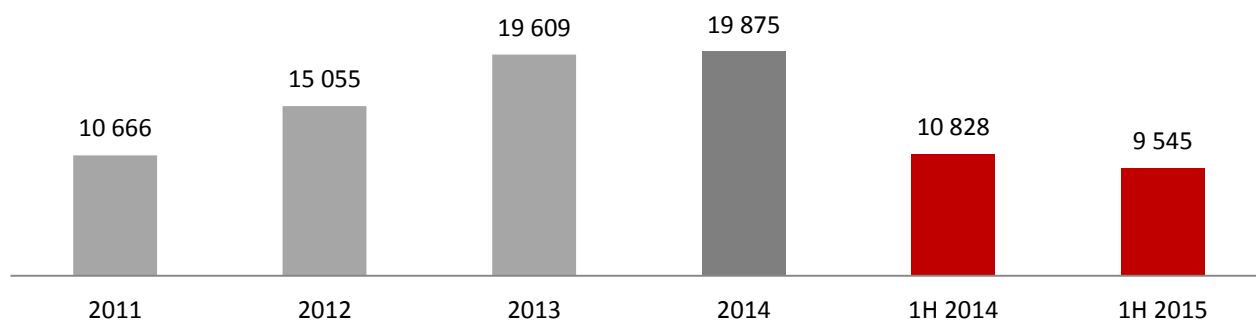
Sales '000 EUR



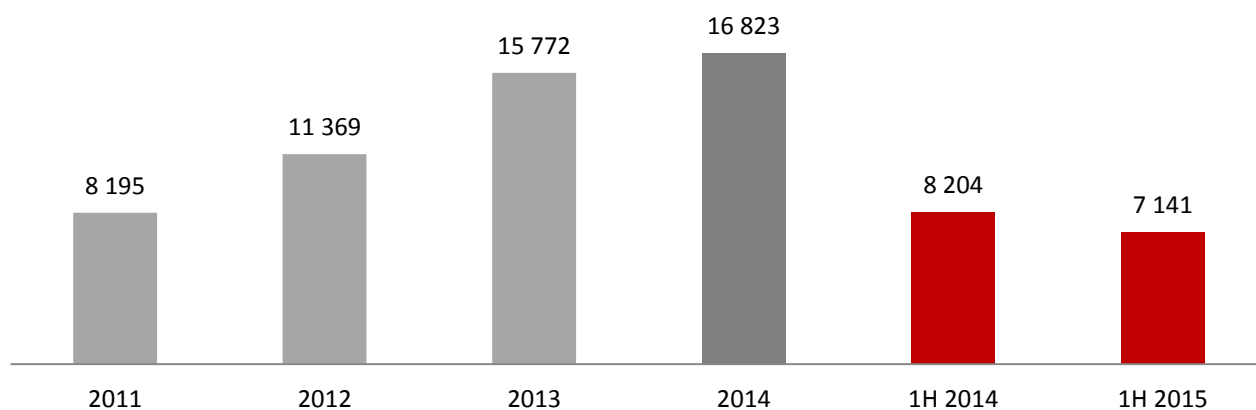
Gross Profit '000 EUR



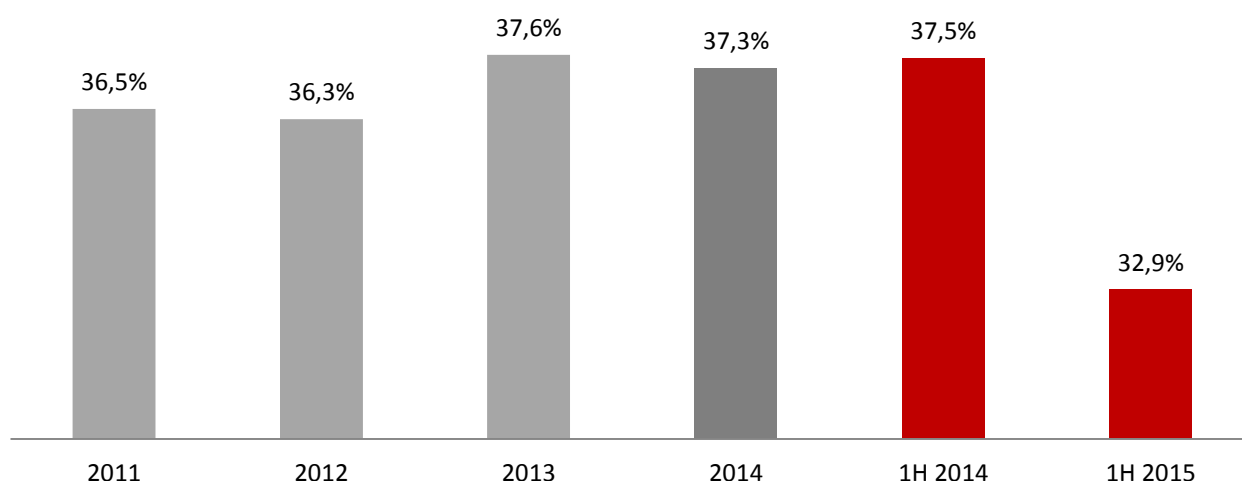
EBITDA '000 EUR



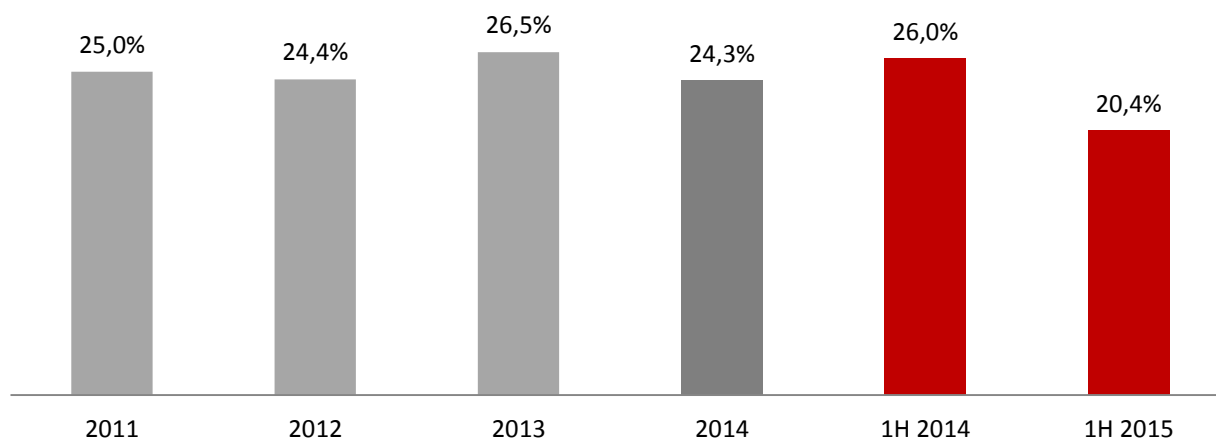
Net profit '000 EUR



Gross Profit Margin %



Net Margin %



3.2 Profit & loss account

3.2.1 Revenues

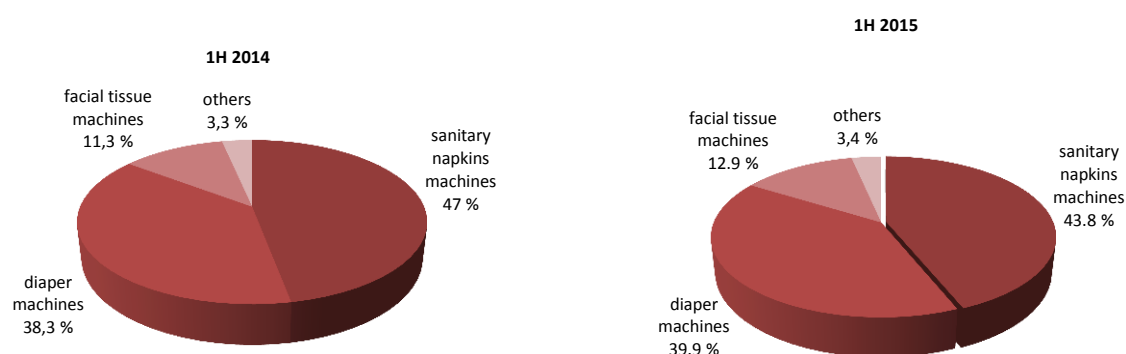
Revenues are generated from sales of sanitary napkin machines, diaper machines, facial tissue machines and other paper machines. Revenues increased by EUR 3,386 thousand or 10.73%, from EUR 31,564 thousand for the six months ended on 30 June 2014 to EUR 34,950 thousand for the six months ended on 30 June 2015. The increase of revenues was mainly due to that the exchange rate of RMB increased sharply with respect to EUR in the past continuous years. The average exchange rate increased by 18.55 %, from 8.432 in 1H 2014 to 6.8527 in 1H 2015, while the RMB sales decreased by 10.16% comparing to the same periods. Taken together, the actual sales have dropped for the reason of the pressure of global downturn, however, as the factor of the exchange rate, the sales seemingly increased on the report.

Revenues breakdown by segments

The following table presents the Group's revenues broken down into product categories for 1H 2014 and 1H 2015.

	1H 2014		1H 2015		Change in revenues
	Unit	'000 EUR	Unit	'000 EUR	%
Sanitary napkins machines	39	14,843	37	15,313	3.17
Diaper machines	25	12,082	27	13,962	15.56
Facial tissue machines	242	3,582	243	4,499	25.6
Other paper machines	51	1,057	47	1,176	11.26
Total	357	31,564	354	34,950	10.73

Sales breakdown by segments for 1H 2014 and 1H 2015 is presented on charts below.



As described earlier, excluding the exchange rate effect, the sales generated by particular segments expressed in RMB decreased when comparing to the first half of the past two years. First of all China faces difficulties at the process of economic transition, the demand and the consumption of the overall market retrenched accordingly. Second, the effects of the global malaise have been already noticed on the manufacturing industry. Finally, the costs of the some raw materials increased.

Sales geographic breakdown

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

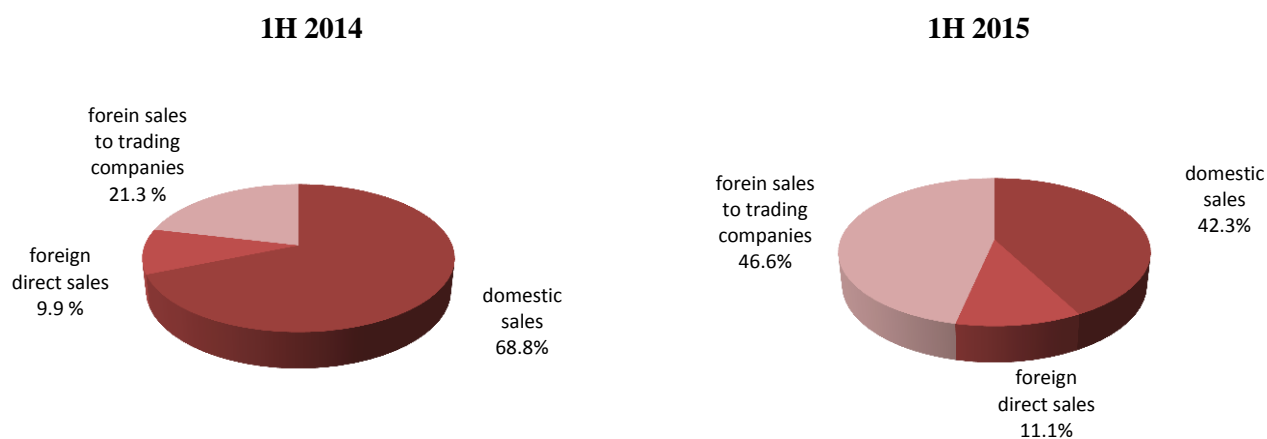
The following table presents the Group's revenues and number of units sold broken down geographically for the period of the 1H 2014 and 1H 2015.

	1H 2014	1H 2015	Change
Revenue:	'000 EUR	'000 EUR	%
Direct sales			
- Mainland China	21,710	14,767	(31.98)
- Outside Mainland China	3,119	3,892	24.78
Sales to trading companies	6,735	16,291	141.89
Total	31,564	34,950	10.73

The following table presents the Group's number of units sold broken down geographically for the period of the 1H 2014 and 1H 2015.

	1H 2014	1H 2015
Direct sales		
- Mainland China	197	159
- Outside Mainland China	48	64
Sales to trading companies	112	131
Total	357	354

Sales geographic breakdown for the period of 1H 2014 and 1H 2015 is presented on charts below.



3.2.2 Cost of Goods Sold

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

	1H 2014	1H 2015	Change
	'000 EUR	'000 EUR	%
Changes in inventories of finished goods and work in progress	-1,725	-2,682	55.48
Materials consumed in production	17,756	20,972	18.11
- Glue machines and motors	5,994	6,942	15.82
- Steel	4,036	4,937	22.32
- Electric controllers	3,104	3,580	15.34
- Knife roller\cylinder	736	835	13.45
- Other components	3,326	3,860	16.06
- Auxiliary materials	560	818	46.07
Labor	1,762	2,358	33.83
Depreciation and amortization	627	863	37.64
Outsourced manufacturing cost	731	798	9.17
Taxes and surcharges *	181	242	33.7
Water and electricity	249	288	15.66
Others	123	121	-1.63
Foreign currency translation difference	17	478	2711.76
Total	19,721	23,438	18.85

*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).

3.2.3 Gross profit

Gross profit decreased by EUR 331 thousand, or 2.79%, from EUR 11,843thousand in 1H 2014 to EUR 11,512 thousand in 1H 2015.

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

	1H 2014	1H 2015	Change
	'000 EUR	'000 EUR	%
Segment gross profit			
Sanitary napkins machines	5,571	5,111	-8.26
Diaper machines	4,659	4,570	-1.91

Facial tissue machines	1,298	1,525	17.49
Other paper machines	315	306	-2.86
Total	11,843	11,512	-2.79

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

	1H 2014	1H 2015	Change
			(unaudited)
Segment gross margin	%	%	p.p.
Sanitary napkins machines	37.5	33.4	-4.2
Diaper machines	38.6	32.7	-5.8
Facial tissue machines	36.2	33.9	-2.3
Other paper machines	29.8	26.0	-3.8
Total gross margin	37.5%	32.9	-4.6

3.2.4 *Other income/expenses*

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

	1H 2014	1H 2015	Change
	‘000 EUR	‘000 EUR	%
Government grant	4	-	-
Rental income	17	22	29.41
Sales of spare parts	23	43	86.96
Total	44	65	47.73

3.2.5 *Distribution and Selling Expenses*

The table below presents the distribution and selling expenses.

	1H 2014	1H 2015	Change
	‘000 EUR	‘000 EUR	%
Staff costs	275	348	26.55
Marketing and advertising costs	118	427	261.86
Post-sales services costs	70	228	225.71
Traveling costs	24	34	41.67
Depreciation	3	2	-33.33

Agency costs	22	27	22.73
Others	60	138	130
Total	572	1,204	110.49

Staff costs

Staff costs constituted 48.1% of the Group's distribution and selling expenses for 1H 2014 and 28.9% for 1H 2015. Staff costs increased by EUR 73 thousand or 26.55%, from EUR 275 thousand in 1H 2014 to EUR 348 in 1H 2015.

3.2.6 *Administrative expenses*

Total administrative expenses slightly decreased by EUR 129 thousand, or 13.77%, from EUR 937 thousand in 1H 2014 to EUR 808 thousand in 1H 2015.

	1H 2014	1H 2015	Change
	'000 EUR	'000 EUR	%
Staff costs	195	296	51.79
Depreciation and amortization charges	188	170	-9.57
Entertainment and office expenses	99	83	-16.16
Miscellaneous taxes	118	79	-33.05
External advisors	213	-	
Others	124	180	45.16
Total	937	808	-13.77

3.2.7 *Research and Development Expenses*

Research and development expenses increased by EUR 818 thousand, or 123.94%, from EUR 660 thousand in 1H 2014 to EUR 1,478 thousand in 1H 2015.

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

	1H 2014	1H 2015	Change
	'000 EUR	'000 EUR	%
Materials	326	794	143.56
Staff costs	245	377	53.88
External advisors	86	209	143.02
Depreciation charges	3	98	3,166.67
Total	660	1,478	123.94

3.2.8 Balance sheet

3.2.8.1 Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 821 thousand or by 4.58 %, from EUR 17,941 thousand as at 31 December 2014 to EUR 18,762 thousand in 1H 2015.

3.2.8.2 Current assets

Inventories

Inventories comprise materials and components used for production as well as work in-progress and finished goods. The table below presents the breakdown of inventories of the Group as at 31 December 2014 and 30 June 2015.

	31 December 2014	30 June 2015	Change
	‘000 EUR	‘000 EUR	%
Raw materials and consumables	3,413	3,326	-2.55
Work in progress	5,416	6,302	16.36
Finished goods	348	2,144	516.09
Total	9,177	11,772	28.28

Trade and other receivables

Trade receivables constituted the majority of trade and other receivables as of 30 Jun 2015. The majority of the remaining other receivables constituted prepayments. Trade and other receivables increased by EUR 375 thousand or 2.77%, from EUR 13,540 thousand as of 31 December 2014 to EUR 13,915 thousand as of 30 Jun 2015. It mounted up with the same line of increase of the revenue.

In order to support some clients business development, the Group is still offering the better payment terms to its selected customers in China, in particular to those with whom the Group had a long-lasting commercial relationship and who were in the process of consolidation and might create significant bigger demand for Group’s machines afterwards.

Bank balances and cash

Bank balances and cash increased by EUR 7,077 thousand, or 53.82 %, from EUR 13,150 thousand as of 31 December 2014 to EUR 20,227 thousand as of 30 June 2015.

3.2.8.3 *Current liabilities*

Trade and other payables

Trade and other payables consist of amounts payable to suppliers for the purchase of raw materials and products. Trade and other payables increased by EUR 68 thousand or 1.66%, from EUR 4,088 thousand as at 31 December 2014 to EUR 4,156 thousand in 1H 2015.

Indebtedness

The Company doesn't have any long term or short term debt as of 31 December 2014 and 30 June 2015.

Advance from customers

Advance from customers increased by EUR 52 thousand or 2.28%, from EUR 2,283 thousand as at 31 December 2014 to EUR 2,335 thousand in 1H 2015.

3.2.8.4 *Non-current liability*

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

3.2.8.5 *Capital and reserves.*

Capital and reserves increased by EUR 12,407 thousand or 24.43%, from EUR 50,782 thousand as at 31 December 2014 to EUR 63,189 thousand in 1H 2015, mainly as the result of the result of profit and the gain from foreign currency translation.

3.2.9 *Cash flow*

	1H 2014	1H 2015
	‘000 EUR	‘000 EUR
net cash from operating activities	6,204	5,334
net cash from investing activities	-9,721	-700
net cash from financing activities	2,381	-
net movement in cash and cash equivalents	-1,136	4,634
- exchange difference	75	2,443
cash at the beginning of the period	11,983	13,150
cash at the end of the period	10,922	20,227

In H1 2015 the Group generated EUR 5,334 thousand from operating activities thanks to profit. The amount is lower than presented in 2014 mainly due to sales decreased.

Company invested EUR 700 thousand throughout 1H 2015 mainly in purchase of property, plant and equipment. Company investments were in line with intended investment plan.

No financing activities occurred during the period.

As a result of operating, investing and financing activities, the Company reported net cash movement of EUR (213) thousand.

3.3 Key factors affecting operating and financial results

3.3.1 *Unusual items, one-off events*

Over the period ended 30 June 2015, there were no unusual items or one-off events which affected the Group's operating and financial results.

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

Over the period ended 30 June 2015, no important events or transactions took place that are significant for the financial position of the Group.

3.3.3 *Seasonality*

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

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

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

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

The Company did not publish any estimates of amounts in 2015.

3.4 Risk factors

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

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

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

An increase in competition and new competitors could arise at any time. In particular, due to the economic slowdown and the results of the financial crisis in industrialised countries, the Group's international competitors may increase their sales activities in the markets of China and other growing economies. Existing and new competitors may establish more advanced production facilities or have greater financial resources,

which could allow them to compete aggressively by lowering the prices of their products or expanding their production capacity. To remain competitive, the Group must continue to invest significant resources in increasing its production capacity, the on-going development of new products and improvement of existing products, in particular. There can be no assurance that the Group will have sufficient resources to increase its competitiveness or that such investments will improve the Group's position in relation to its competitors.

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

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

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

Availability of bank financing

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

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

3.4.2 Risk factors relating to the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of end of 1H 2015, the Group's distribution network consists of 29 salesmen operating mainly in coastal areas of China and direct overseas market, which generate substantially all of the Group's revenue.

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

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

The Group's strategic objectives are to extend sales in China, increase direct international coverage, strengthen brand recognition, focus further on R&D and quality enhancing as well as further increase production capacities (detailed information on strategy is included in the point 1.6 below).

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

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

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

The Group is planning to increase its production capacity, which is one of the factors on which the success of the Group depends (detailed information on investment plan is included in the point 1.7 below).

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

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

3.4.3 *Internal risk management and control systems for the main risks*

The goal of the Company with the risk management and control systems is aiming to meet our strategic objectives as well as effectively protecting the Company and its brands against any, especially financial damage. Continuity and sustainability of the business are as important to the Company as growing and operating the business. The risk management and control system aims to ensure that the risks of the Company are identified and managed effectively, and that the operational and financial objectives are met in compliance with applicable laws and regulations at a reasonable level of assurance. The systems also protect the safety and health of our employees, customers and consumers. A system of controls that ensures adequate financial reporting is in place.

The Company is aiming to be a sustainable and performance-driven company. This is achieved by doing business, which by nature involves taking risks and managing those risks. Structured risk assessments are integrated in change projects, business planning, performance monitoring processes, common processes and system implementations and business optimization activities. The risk management and control systems are considered to be in balance with the Group's risk profile, although such systems can never provide absolute assurance. Risk management and control systems are subject to continuous review and adaptations in order to remain in balance with its growing business size and the changes in its risk profile.

The Management Board has overall responsibility for the Group's risk management and control systems. It is responsible for resource allocation and risk management policy setting. Its overall effectiveness is subject to review by Supervisory Board as well as its Audit Committee.

3.5 Strategy

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

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

- Labor training and reserving for the coming production extension

3.6 Significant investment CAPEX

By the end of 30 June 2015 the Company did not receive from the local Chinese government any settlements concerning new schedule of investment plan. According to the land purchase agreement described in current report No. 11/2014 the Company is under the process of the investment in the new plant, nevertheless because of delays in expenditures which supposed to be made by the local government into the infrastructure, on a zone where the Company's plot is located, like wiring installation, water-supply system, etc., the initial investments planned by the Company had to be postponed. At the moment the Company conducts consultations with the local government concerning modification of the investment schedule in the new plant, but the consultations are not finalized yet. Taking into consideration foregoing pace in progress of the consultations with the government, the Company doesn't expect their finalization in this year. More detailed information was disclosed by the Company in the current report No. 12/2015.

3.7 Dividend policy

On 11 May 2015, the Management Board of the Company decided to change Company's dividend policy disclose in the current report No. 13/2014, and in this same day the Management Board recommended to the Annual General Meeting approving the financial statements for 2014 to allocate its consolidated net profit for 2014 for raising reserve capitals with the intention to finance investments. Recommendation of the Management Board was approved by the Supervisory Board of the Company on 11 May 2015. Subsequently, the Annual General Meeting held on 29 June 2015 decided to allocate its consolidated net profit for 2014 for raising reserve capitals with the intention to finance investments.

Alteration of the dividend policy was caused among other things by the fact, that since cancellation of the SPO the Company hasn't raised significant external sources of funding yet.

Additionally the Company expects that the declining economy situation in China and overseas markets also justifies abovementioned decision.

Simultaneously the Company informed, that in the remaining scope upholds dividend policy for subsequent years, however the dividend policy will be reviewed periodically and payment of any future dividends will be effectively made at the discretion of the Management Board and the Shareholders' Meeting after taking into account the Company's earnings, cash flow, financial condition, capital investment requirements and other factors.

3.8 Shareholders and shares

3.8.1 *Share capital structure*

As of 30 June 2015 the Company's share capital consisted of 13,000,000 ordinary shares with a nominal value of EUR 1 each.

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

3.8.2 *Major shareholders and shares*

As of 30 June 2015 the Company's shareholding structure was as follows:

Shareholder	number of shares	% in the share capital
P.I. Investment Limited (wholly owned by Mr Qiulin Xie)	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)	539,202	4.15%
others	1,360,798	10.47 %
Total	13,000,000	100%

Since publication of the report for 1Q 2015, as well as annual report for 2014 there were any changes in the Company's major shareholders' structure.

3.8.3 *Issue of new shares*

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

In 1H 2015 the Company did not issue any debt securities nor made any repurchases or repayments of debt or equity securities.

3.8.4 *Changes in ownership of shares and rights to shares by Management Board members in the six month ended 30 June 2015 and until the date of publication of the report*

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

3.8.5 *Changes in ownership of shares and rights to shares by Supervisory Board members in the six month ended 30 June 2015 and until the date of publication of the report*

To the best of the Company's knowledge none of the Supervisory Board members held Company's shares or rights to shares in the six months ended 30 June 2015 and until the date of publication of this semi-annual report and there was no changes in their shareholding or the number of rights to shares.

3.8.6 *Special rights to control over the Company*

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

3.8.7 *Corporate bodies*

The Company has a two-tier board structure consisting of a Management Board and a Supervisory Board. The Management Board is the statutory executive body and is responsible for the day-to-day management of the Company, including, amongst other things, formulating the Company's strategies and policies and setting and achieving the Company's objectives.

The Supervisory Board supervises and advises the Management Board. In addition, Supervisory Board approval is required for certain important decisions of the Management Board.

3.8.8 *Management Board*

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

As of 30 June 2015 the Management Board was composed of the following members:

Name	Age	Position	Member since	Term	End of term
Qiulin Xie	55	Chairman	2 July 2013	4 years	the date of the annual General Meeting in 2017
Zhimin Huang	36	Chief Financial Officer	29 June 2015	3 years	the date of the annual General Meeting in 2018
Kaida Xie	28	Sales and Marketing Manager	9 September 2013	2 years	the date of the annual General Meeting in 2017
Bas Xue	38	Administrative Manager	2 July 2013	4 years	the date of the annual General Meeting in 2018

During 1H 2015 there were personal changes in the Management Board.

Ms Hongyan Dai submitted resignation from holding both the function of the Chief Financial Officer and the Member of the Company's Management Board. The resignation became effective as of 12 March 2015. Ms Hongyan has been holding her function since 9 September 2013. Ms Hongyan Dai indicated the personal health issue as the reason for resignation.

Then on 28 April 2015 the Supervisory Board of the Company nominated Mr Zhimin Huang for both the function of the Member of the Company's Management Board as well as conditionally as the Chief Financial Officer.

Moreover on 18 May 2015 the Supervisory Board has nominated Mr Kaida Xie for reappointment to the Management Board of the Company.

On 29 June 2015, Annual General Meeting of the shareholders decided to:

- appoint Mr. Zhimin Huang as a member of the Management Board with effect as of the close of the meeting for a period of three (3) years ending immediately following the annual general meeting to be held in 2018,
- appoint Mr. Kaida Xie as a member of the Management Board with effect as of the end of the meeting for a period of two (2) years ending immediately following the annual general meeting to be held in 2017.

3.8.9 Supervisory Board

As of 30 June 2015 the Supervisory Board was composed of the following members:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Independent</u>	<u>Member since</u>	<u>Term</u>	<u>End of term</u>
Ya Li	35	Chairman	No	10 September 2013	4 years	the date of the annual General Meeting in 2017
Ming Shen	52	Member	Yes	10 September 2013	4 years	the date of the annual General Meeting in 2017
Liem Tsong Lucien Tjon	53	Member	Yes	10 September 2013	3 years	the date of the annual General Meeting in 2016
Zhanghe Du	44	Member	No	29 June 2015	2 years	the date of the annual General Meeting in 2017
Rongfu Wu	29	Member	No	10 September 2013	4 years	the date of the annual General Meeting in 2018

In 1H 2015 there were also personal changes in the Supervisory Board.

The Company received the resignation of Mr Jaroslaw Dabrowski from holding the function of a Member of the Supervisory Board of Peixin International Group N.V. Mr Jaroslaw Dabrowski in the declaration of resignation as a reasons for his decision stated new professional challenges of a time consuming nature.

Subsequently, on 18 May 2015 the Supervisory Board of the Company nominated Mr. Zhanghe Du for the function of the Member of the Supervisory Board of the Company. On 29 June 2015, Annual General Meeting of the shareholders decided to appoint Mr. Zhanghe Du as a member of the Supervisory Board with effect as of the close of the meeting for a period of two (2) years ending immediately following the annual general meeting to be held in 2017.

4. Other information

4.1 Environmental matters

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

5. Statement of the Management Board of Peixin International Group N.V. on compliance of the consolidated semi-annual financial statements

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

— semi-annual financial statements of Peixin International Group N.V. for the period ended 30 June 2015 and the comparable information are prepared in accordance with the applicable accounting,

— the semi-annual accounts for the period ended 30 June 2015 give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of the Company and the joint ventures included in the consolidation,

— the semi-annual report for the period ended 30 June 2015 give a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and the most important related party transactions.

Members of the Management Board:

Qiulin Xie	Chairman
Kaida Xie	Sales and Marketing Manager
Zhimin Huang	Chief Financial Officer
Bas Xue	Administrative Manager

28 August 2015 Amsterdam,

The Netherlands



PEIXIN INTERNATIONAL GROUP N.V.

CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2015

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PEIXIN International Group N.V. - consolidated nonaudited financial report 1H 2015
all data in thousand EUR, unless stated otherwise

NOTES		Six months ended 30 June	
		2014 kEUR	2015 kEUR
Revenue	8	31,564	34,950
Cost of sales	9	(19,721)	(23,438)
Gross profit		11,843	11,512
Other income	10	44	65
Distribution and selling expenses	11	(572)	(1,204)
Administrative expenses	12	(937)	(808)
Research and development expenses	13	(660)	(1,478)
Profit from operations		9,718	8,087
Other gains and losses		(1)	1
Finance income	14	60	58
Finance costs	15	(100)	-
Profit before tax		9,677	8,146
Income tax expense	16	(1,473)	(1,005)
Profit for the period		8,204	7,141
Other comprehensive income			
Items that will be reclassified to profit or loss			
-currency translation differences		86	5,266
Total comprehensive income for the period		8,290	12,407
Attributable to:			
Owner of the Company		8,290	12,407
Earnings per share - basic (EUR)	19	0.63	0.55

PEIXIN International Group N.V. - consolidated nonaudited financial report 1H 2015
all data in thousand EUR, unless stated otherwise

	NOTES	<u>As at 31 December</u>	<u>As at 30 June</u>
		<u>2014</u>	<u>2015</u>
		kEUR	kEUR
Non-current assets			
Property, plant and equipment	20	17,941	18,762
Prepaid lease payments	21	17,692	19,187
Investment properties	22	<u>14</u>	<u>15</u>
		<u>35,647</u>	<u>37,964</u>
Current assets			
Inventories	23	9,177	11,772
Trade and other receivables	25	13,540	13,915
Prepaid lease payments	21	25	27
Bank balances and cash	26	<u>13,150</u>	<u>20,227</u>
		<u>35,892</u>	<u>45,941</u>
Current liabilities			
Trade and other payables	27	4,088	4,156
Related parties payables	29	634	656
Advance from customers	28	2,283	2,335
Income tax payable		<u>752</u>	<u>569</u>
		<u>7,757</u>	<u>7,716</u>
Net current assets		<u>28,135</u>	<u>38,225</u>
Total assets less current liabilities		<u>63,782</u>	<u>76,189</u>
Non-current liability		<u>-</u>	<u>-</u>
Net asset		<u>63,782</u>	<u>76,189</u>
Capital and reserves			
Share/paid-in capital	30	13,000	13,000
Reserves	31	<u>50,782</u>	<u>63,189</u>
Total equity		<u>63,782</u>	<u>76,189</u>

PEIXIN International Group N.V. - consolidated nonaudited financial report 1H 2015

all data in thousand EUR, unless stated otherwise

	Attributable to Owners of the Company						Total
	<u>Share capital</u>	<u>Share premium</u>	<u>Foreign currency translation reserve</u>	<u>Statutory surplus reserve</u>	<u>Retained profits</u>	<u>Results for the year</u>	
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	(Note31)	(Note32)	(Note32)	(Note32)	(Note32)		
Balance at 1 January 2014	13,000	22,299	1,488	2,637	(12,960)	15,772	42,236
Result appropriation					15,772	(15,772)	
Profit for the period						8,204	8,204
Other comprehensive income for the period			86				86
Payment of dividends					(1,516)		(1,516)
Balance at 30 June 2014	<u>13,000</u>	<u>22,299</u>	<u>1,574</u>	<u>2,637</u>	<u>1,296</u>	<u>8,204</u>	<u>49,010</u>
Profit for the period						8,619	8,619
Other comprehensive income for the period			6,153				6,153
Appropriation to statutory surplus reserve							
Shares transferred from BVI to N.V.							
Share capital injected by contribution of shares							
Payment of dividends							
Balance at 31 December 2014	<u>13,000</u>	<u>22,299</u>	<u>7,727</u>	<u>2,637</u>	<u>1,296</u>	<u>16,823</u>	<u>63,782</u>
Result appropriation					16,823	(16,823)	
Profit for the period						7,141	7,141
Other comprehensive income for the period			5,266				5,266
Payment of dividends							
Balance at 30 June 2015	<u>13,000</u>	<u>22,299</u>	<u>12,993</u>	<u>2,637</u>	<u>18,119</u>	<u>7,141</u>	<u>76,189</u>

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
OPERATING ACTIVITIES		
Profit before tax	9,677	8,146
Adjustments for:		
Finance cost	100	-
Interest income	(51)	(32)
Depreciation of		
property, plant and equipment	834	1,444
Amortization of prepaid lease payments	11	14
Amortization of investment properties	1	-
Amortization of other deferred assets	<u>264</u>	<u>-</u>
Operating cash flows before		
movements in working capital	10,836	9,572
(Increase) in inventories	(2,484)	(2,595)
(Increase) in trade and other receivables	(29)	(375)
Increase in trade and other payables	941	68
Increase in related payables	379	22
Increase (decrease) in advance from customers	<u>(2,055)</u>	<u>52</u>
Cash generated from/ (used in) operations	7,588	6,744
Income taxes paid	<u>(1,384)</u>	<u>(1,410)</u>
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	<u>6,204</u>	<u>5,334</u>
INVESTING ACTIVITIES		
Interest received	51	32
Purchase of property, plant and equipment	(2,640)	(732)
Purchase of land use right	<u>(7,132)</u>	<u>-</u>
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES	<u>(9,721)</u>	<u>(700)</u>

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all data in thousand EUR, unless stated otherwise

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
FINANCING ACTIVITIES		
Interest paid	(100)	-
New bank loans raised	3,997	-
Dividends paid	<u>(1,516)</u>	<u>-</u>
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	<u>2,381</u>	<u>-</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,136)	4,634
Less: Exchange difference	75	2,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>11,983</u>	<u>13,150</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by cash and bank balances	<u>10,922</u>	<u>20,227</u>

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. ("Yongchun Baixin") in the People's Republic of China ("PRC"). The address of the principal place of Fujian Peixin, Quanzhou Peixin and Yongchun Baixin is disclosed in Note 2.

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

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

As at 30 June 2015, the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four indirect 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. (Yongchun 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.

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

As at 30 June 2015 and the date of approval of the consolidated financial statements, Peixin International Group N.V. had the following indirect subsidiaries:

<u>Name of entity</u>	<u>Place and date of establishment</u>	<u>Registered capital</u>	<u>Principal activities</u>
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 18 April 2014	RMB 50,000,000	Manufacture of daily-used paper machinery

- (i) Fujian Peixin was established by Peixin International BVI on 8 November 2006 with a registered capital of Hongkong Dollar 28,800,000. The registered capital was increased to Hongkong Dollars 50,000,000 in November 2013.
- (ii) Quanzhou Peixin was established on 28 November 1994 with a registered capital of Renminbi 5,000,000 by Yee Lung Enterprise Co., Ltd. (30% share capital) where Xie Qiulin being the ultimate controlling party and Quanzhou Licheng Light Industry Machinery Factory (70% share capital). The registered capital was increased to Renminbi 5,800,000 in November 2002 and the entire share capital of Quanzhou Peixin was transferred to Peixin International BVI in June 2006.
- (iii) Peixin International BVI was established by Xie Qiulin with a share capital of USD 50,000 divided into 50,000 shares with a par value of USD 1 each. On 7 February 2013 Xie Qiulin transferred 2,500 shares to Jinyuan Investment Holding Ltd., 2,500 shares to Xinsheng Investment Holding Ltd. and 1,250 shares to Best Fortune Investment Enterprise Limited. On 14 August 2013 Xie Qiulin, Xinsheng Investment Holding Ltd., Jinyuan Investment Holding Ltd. and Best Fortune Investment Enterprise Limited contributed all their shares in Peixin International BVI to the Company in exchange for shares in the share capital for the Company.
- (iv) Yongchun Baixin was established on 18 April 2014 with a registered capital of Renminbi 50,000,000.

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

As of 30th June 2015, the Company's shareholding structure was as follows:

Shareholder		No. of shares	% in the share capital
P.I. Investment Limited			
- fully controlled by Mr Xie Qiulin (Principal Shareholder)		10,500,000	80.77%
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)		539,202	4.15%
Others		1,360,798	10.47%
Total		13,000,000	100%

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

Except as described below, for the period ended 30 June 2015 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

Foreign currencies

Functional and presentation currency

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

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

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

	Period end rates	Average rates
30 June 2014	EUR 1.00= RMB 8.3946	EUR 1.00=RMB 8.4132
31 December 2014	EUR 1.00= RMB 7.4556	EUR 1.00=RMB 8.1255
30 June 2015	EUR 1.00= RMB 6.8699	EUR 1.00=RMB 6.8259

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

Financial instruments-continued

Financial assets-continued

Loans and receivables

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

Impairments of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments-continued

Financial assets-continued

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Capital and Reserves

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

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

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

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

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

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

Allowance for Bad and Doubtful debts

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

5. **SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES - continued**

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2014 and 30 June 2015 amounted to kEUR 752 and kEUR 569 respectively.

6. **KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

Depreciation of building, machinery and equipment

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

7. SEGMENT REPORTING

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

By business

Revenue:	Six months ended 30 June			
	2014		2015	
	Unit	kEUR	Unit	kEUR
External customers				
Sanitary napkins machines	39	14,843	37	15,313
Diaper machines	25	12,082	27	13,962
Facial tissue machines	242	3,582	243	4,499
Other paper machines	51	1,057	47	1,176
	357	31,564	354	34,950

Results:	Six months ended 30 June			
	2014		2015	
	kEUR		kEUR	
Segment gross profit				
Sanitary napkins machines		5,571		5,111
Diaper machines		4,659		4,570
Facial tissue machines		1,298		1,525
Other paper machines		315		306
		11,843		11,512

By Geographical Information

Revenue:	Six months ended 30 June			
	2014		2015	
	Unit	kEUR	Unit	kEUR
Direct sales				
-Mainland China	197	21,710	159	14,767
-Outside Mainland China	48	3,119	64	3,892
Sales to trading companies	112	6,735	131	16,291
	357	31,564	354	34,950

	As at 31 December	As at 30 June
	2014	2015
	kEUR	kEUR
Current assets		
-Sanitary napkins machines	7,189	7,617
-Diaper machines	8,748	11,338
-Facial tissue machines	1,656	1,919
-Other paper machines	1,326	934
-Unallocated current assets	16,973	24,133
	35,892	45,941

7. SEGMENT REPORTING – continued

	As at 31 December	As at 30 June
	2014	2015
	kEUR	kEUR
Non-current assets		
-Sanitary napkins machines		
-Diaper machines		
-Facial tissue machines		
-Other paper machines		
-Unallocated non-current assets ¹	35,647	37,964
	<u>35,647</u>	<u>37,964</u>

¹The 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:

	Six months ended 30 June	
	2014	2015
	kEUR	kEUR
Renminbi ("RMB")	28,445	31,058
United States Dollars ("USD")	<u>3,119</u>	<u>3,892</u>
	<u>31,564</u>	<u>34,950</u>

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:

	Six months ended 30 June	
	2014	2015
	kEUR	kEUR
Changes in inventories of finished goods and work in progress	(2,682)	(1,725)
Glue machines and motors	5,994	6,942
Steel	4,036	4,937
Electric controllers	3,104	3,580
Knife roller\cylinder	736	835
Other components	3,326	3,860

Auxiliary materials	560	818
Materials consumed in production	17,756	20,972
Labor	1,762	2,358
Depreciation and amortization	627	863
Outsourced manufacturing cost	731	798
Taxes and surcharges *	181	242
Water and electricity	249	288
Others	123	121
Foreign currency translation difference	<u>17</u>	<u>478</u>
	<u>19,721</u>	<u>23,438</u>

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

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Government grant	4	-
Rental income	17	22
Sales of spare parts	<u>23</u>	<u>43</u>
	<u>44</u>	<u>65</u>

11. DISTRIBUTION AND SELLING EXPENSES

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Staff costs	275	348
Marketing and advertising costs	118	427
Post-sales services costs	70	228
Travelling costs	24	34
Depreciation	3	2
Agency costs	22	27
Others	<u>60</u>	<u>138</u>
	<u>572</u>	<u>1,204</u>

12. ADMINISTRATIVE EXPENSES

Six months ended 30 June

	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Staff costs	195	296
Depreciation and amortization charges	188	170
Entertainment and office expenses	99	83
Miscellaneous taxes	118	79
External advisors	213	-
Others	<u>124</u>	<u>180</u>
	<u>937</u>	<u>808</u>

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise following expenses:

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Materials	326	794
Staff costs	245	377
External advisors	86	209
Depreciation charges	<u>3</u>	<u>98</u>
	<u>660</u>	<u>1,478</u>

14. FINANCE INCOME

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Interest income	51	32
Foreign exchange gain, net	<u>9</u>	<u>26</u>
	<u>60</u>	<u>58</u>

15. FINANCE EXPENSES

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Interest expenses on bank borrowings		
wholly repayable within one year	<u>100</u>	<u>-</u>

Bank borrowings interests are charged on interest rates of 6.000% to 6.560%, 6.560%, per annum during the periods ended 30 June 2014.

No Bank borrowings remained at 30 June 2015.

16. INCOME TAX EXPENSE

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Current tax:		
PRC enterprise income tax	<u>1,473</u>	<u>1,005</u>

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%.

16. INCOME TAX EXPENSE-continued

The applicable enterprise income tax rate of Quanzhou Peixin is 25%. At 30 June 2014 and 2015, Quanzhou Peixin has no recognized tax losses and no income tax was charged for the periods ended 30 June 2014 and 2015.

The applicable enterprise income tax rate of Yongchun Baixin is 25%. At 30 June 2014 and 2015, Yongchun Baixin has no recognized tax losses and no income tax was charged for the periods ended 30 June 2014 and 2015.

17. EMPLOYEES' EMOLUMENTS

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Salaries and other short-term benefits	2,409	3,295
Defined contribution benefit schemes	<u>68</u>	<u>84</u>
Total employee benefits expense		
(including directors' emoluments)	<u>2,477</u>	<u>3,379</u>

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:

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Directors' emoluments		
- Salaries		
Xie Qiulin	34	42
Xie Kaida	11	13
Huang Zhimin	-	12
Dai Hongyan	21	-
	<u>66</u>	<u>67</u>

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Supervisory board' emoluments		
- Salaries		
Li Ya	4	4
Shen Ming	4	4
Liem Tsong LucienTjon	2	2
Wu Rongfu	15	19
Du Zhanghe	-	4
	<u>33</u>	<u>33</u>

18. KEY MANAGEMENT EMOLUMENTS-continued

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
- Social Welfare		
Xie Qiulin	*	*
Xie Kaida	*	*
Huang Zhimin	-	*
Du Zhanghe	-	*
Wu Rongfu	*	*
	<u>*</u>	<u>*</u>

* Amount less than EUR 1,000.

19. EARNINGS PER SHARE

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	EUR	EUR
Basic earnings per share		
From continuing operations	<u>0.63</u>	<u>0.55</u>
Total basic earnings per share	<u>0.63</u>	<u>0.55</u>

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

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	<u>8,204</u>	<u>7,141</u>

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Weighted average number of ordinary shares for the purpose of basic earnings per share ¹	<u>13,000,000</u>	<u>13,000,000</u>

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

20. PROPERTY, PLANT AND EQUIPMENT

	<u>Plant & buildings</u>	<u>Machinery &equipment</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Prepayments for Machineries</u>	<u>Total</u>
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
COST						
At 31 December 2013	7,546	6,202	559	363	3,342	18,012
Additions	2,164	3,602	-	-	-	5,766
Disposals	-	-	-	-	(3,344)	(3,344)
Translation adjustment	27	26	2	-	2	57
At 30 June 2014	9,737	9,830	561	363	-	20,491
At 31 December 2014	12,914	11,068	632	410	1,498	26,522
Additions	-	1,473	-	12	-	1,485
Addition-transferred from ODA	884	-	-	-	-	884
Reclassification	-	-	-	-	(1,637)	(1,637)
Translation adjustment	1,095	934	54	35	139	2,257
At 30 June 2015	14,893	13,475	686	457	-	29,511
DEPRECIATION						
At 31 December 2013	(2,393)	(1,954)	(459)	(194)	-	(5,000)
Provided for the period	(392)	(399)	(26)	(17)	-	(834)
Eliminated on disposals of assets	-	-	-	-	-	-
Translation adjustment	(7)	(6)	(1)	(1)	-	(15)
At 30 June 2014	(2,792)	(2,359)	(486)	(212)	-	(5,849)

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all data in thousand EUR, unless stated otherwise

At 31 December 2014	(4,571)	(3,178)	(574)	(258)	-	(8,581)
Provided for the period	(292)	(631)	(18)	(21)	-	(962)
Transferred from ODA	(482)	-	-	-	-	(482)
Translation adjustment	<u>(386)</u>	<u>(266)</u>	<u>(49)</u>	<u>(23)</u>	<u>-</u>	<u>(724)</u>
At 30 June 2015	<u>(5,731)</u>	<u>(4,075)</u>	<u>(641)</u>	<u>(302)</u>		<u>(10,749)</u>

CARRYING AMOUNT

At 30 June 2014	<u>6,945</u>	<u>7,471</u>	<u>75</u>	<u>151</u>	<u>-</u>	<u>14,642</u>
At 31 December 2014	<u>8,343</u>	<u>7,890</u>	<u>58</u>	<u>152</u>	<u>1,498</u>	<u>17,941</u>
At 30 June 2015	<u>9,162</u>	<u>9,400</u>	<u>45</u>	<u>155</u>	<u>-</u>	<u>18,762</u>

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:

<u>Location</u>	<u>Description</u>	<u>Gross area (m²)</u>
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

The gross carrying amount of the fully depreciated property, plant and equipment that is still in use is kEUR 74 as at 30 June 2015 (31 December 2014: kEUR 48).

21. PREPAID LEASE PAYMENTS

	<u>Land use right</u>	<u>Prepayments</u>	<u>Total</u>
		kEUR	kEUR
Cost			
At 31 December 2013	1,100	4,752	5,852
additions	-	7,132	7,132
translation adjustment	<u>3</u>	<u>29</u>	<u>32</u>
At 30 June 2014	<u>1,103</u>	<u>11,913</u>	<u>13,016</u>
At 31 December 2014	1,242	16,665	17,907
Additions	-	-	-
translation adjustment	<u>106</u>	<u>1,421</u>	<u>1,527</u>
At 30 June 2015	<u>1,348</u>	<u>18,086</u>	<u>19,434</u>

21. PREPAID LEASE PAYMENTS-continued

AMORTIZATION

At 31 December 2013	(147)	-	(147)
charge for the period	(11)	-	(11)
translation adjustment	-	-	-
At 30 June 2014	(158)	-	(158)

At 31 December 2014	(190)	-	(190)
charge for the period	(14)	-	(14)
translation adjustment	(16)	-	(16)
At 30 June 2015	(220)	-	(220)

CARRYING AMOUNTS

At 30 June 2014	945	11,913	12,858
At 31 December 2014	1,052	16,665	17,717
At 30 June 2015	1,128	18,086	19,214

Analyzed for reporting purposes as:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Non-current asset	17,692	19,187
Current asset	25	27
	<u>17,717</u>	<u>19,214</u>

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 leasehold land comprises:

<u>Location</u>	<u>Expiry date of</u> <u>tenure</u>	<u>Land area (m²)</u>
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

22. INVESTMENT PROPERTIES

	<u>Amount</u> kEUR
Cost	
At 31 December 2013	985
Disposals	(735)
translation adjustment	<u>1</u>
At 30 June 2014	<u>251</u>
At 31 December 2014	285
Disposals	-
translation adjustment	<u>25</u>
At 30 June 2015	<u>310</u>
AMORTISATION	
At 31 December 2013	(381)
charge for the period	(1)
eliminated on disposals of assets	143
translation adjustment	<u>1</u>
At 30 June 2014	<u>(238)</u>
At 31 December 2014	(271)
charge for the period	-
eliminated on disposals of assets	-
translation adjustment	<u>(24)</u>
At 30 June 2015	<u>(295)</u>
CARRYING AMOUNTS	
At 30 June 2014	<u>13</u>
At 31 December 2014	<u>14</u>
At 30 June 2015	<u>15</u>

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

23. INVENTORIES

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Raw materials and consumables	3,413	3,326
Work in progress	5,416	6,302
Finished goods	<u>348</u>	<u>2,144</u>
	<u>9,177</u>	<u>11,772</u>

24. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Trade and other receivables (Note 25)	13,349	13,726
Bank balances and cash (Note 26)	<u>13,150</u>	<u>20,227</u>
	<u>26,499</u>	<u>33,953</u>

Financial liabilities measured at amortized cost

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
<u>Current</u>		
Trade and other payables (Note 27)	3,432	3,748
Advance from customers (Note 28)	2,283	2,335
Related parties payables (Note 29)	634	656
Bank borrowings (Note 30)	<u>-</u>	<u>-</u>
	<u>6,349</u>	<u>6,739</u>

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

25. TRADE AND OTHER RECEIVABLES

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Trade receivables	13,155	13,362
Other receivables	<u>194</u>	<u>364</u>
Subtotal financial assets	13,349	13,726
Prepayments	<u>191</u>	<u>189</u>
	<u>13,540</u>	<u>13,915</u>

Trade and other receivables are denominated in the following currencies:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Renminbi ("RMB")	12,218	11,345
United States Dollars ("USD")	1,322	2,570
Euros ("EUR")	<u>-</u>	<u>-</u>
	<u>13,540</u>	<u>13,915</u>

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.

25. TRADE AND OTHER RECEIVABLES- continued

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:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Current	13,120	13,242

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:

<u>As at 31 December</u>	<u>As at 30 June</u>
<u>2014</u>	<u>2015</u>
kEUR	kEUR

Past due for less than 3 months	35	120
Past due for over 3 months	-	-
but less than 9 months	-	-
	<u>13,155</u>	<u>13,362</u>

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

26. BANK BALANCES AND CASH

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Cash on hand	2	2
Bank balances	<u>13,148</u>	<u>20,225</u>
	<u>13,150</u>	<u>20,227</u>

Bank balances and cash are denominated in the following currencies:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Renminbi ("RMB")	13,098	20,178
United States Dollars ("USD")	9	13
Hong Kong Dollars ("HKD")	4	*
Euros ("EUR")	39	36
Zlotys ("PLN")	*	*
	<u>13,150</u>	<u>20,227</u>

* Amount less than EUR 1,000.

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. Bank balances as at 30 June 2015 carry interest at market rates which ranged from 0.35% to 0.5% (2014: 0.35%-0.50%) per annum.

27. TRADE AND OTHER PAYABLES

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Trade payables	2,492	2,685
Other payables	11	16
Salary payables	<u>929</u>	<u>1,047</u>
Subtotal financial liabilities	3,432	3,748
Tax payables other than income tax	<u>656</u>	<u>408</u>
	<u>4,088</u>	<u>4,156</u>

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:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Current	<u>2,492</u>	<u>2,685</u>

28. ADVANCE FROM CUSTOMERS

Advance from customers comprise down payment received for trade sales.

Advance from customers are denominated in the following currencies:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Renminbi ("RMB")	-	935
United States Dollars ("USD")	<u>2,283</u>	<u>1,400</u>
	<u>2,283</u>	<u>2,335</u>

The aging analysis of advance from customers is as follows:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Less than 3 months	1,089	1,079

Over 3 months but less than 1 year	882	1,251
Over 1 year but less than 1 and a half years	<u>312</u>	<u>5</u>
	<u><u>2,283</u></u>	<u><u>2,335</u></u>

29. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

<u>Name</u>	<u>Relationship with the Group</u>
Xie Qiulin	Director of the Group

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

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Xie Qiulin	<u>634</u>	<u>656</u>
	<u><u>634</u></u>	<u><u>656</u></u>

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

30. SHARE / PAID-IN CAPITAL

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

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Share/paid-in capital	<u><u>13,000,000</u></u>	<u><u>13,000,000</u></u>

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

	<u>Numbers of</u>	<u>Share capital</u>
	<u>shares</u>	EUR
Authorized and issued and fully paid		
Ordinary shares of EUR1.00		
each on the date of incorporation,		
at 30 June 2015	<u><u>13,000,000</u></u>	<u><u>13,000,000</u></u>

31. RESERVES

Share premium

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

Statutory surplus reserve

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

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

The statutory surplus reserve of the Group amounts to kEUR 2,637 at 30 June 2015 (31 December 2014: 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.

32. RELATED PARTY TRANSACTIONS

Compensation to director of the Company

	<u>Six months ended 30 June</u>	
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
Xie Qiulin		
-Short-term employee benefits	34	42
-Social welfare	*	*
	<u>34</u>	<u>42</u>

Xie Kaida

-Short-term employee benefits	11	13
-Social welfare	*	*
	<u>11</u>	<u>13</u>

32. RELATED PARTY TRANSACTIONS-continued

Huang Zhimin

-Short-term employee benefits	-	12
-Social welfare	-	*
	<u>-</u>	<u>12</u>

Li Ya

-Short-term employee benefits	4	4
-Social welfare	-	-
	<u>4</u>	<u>4</u>

Shen Ming

-Short-term employee benefits	4	4
-Social welfare	-	-
	<u>4</u>	<u>4</u>

Liem Tsong Lucien Tjon

-Short-term employee benefits	2	2
-Social welfare	-	-
	<u>2</u>	<u>2</u>

Wu Rongfu

-Short-term employee benefits	15	19
-Social welfare	*	*
	<u>15</u>	<u>19</u>

Du Zhanghe

-Short-term employee benefits	-	4
-Social welfare	-	*
	<u>-</u>	<u>4</u>

*Amount less than EUR 1,000

No Personal undertaking loans guaranteed by director of the Company as of 30 June 2015

33. 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. As the equity position of in EUR of the Company has been invested in Chinese activities, the Company is exposed to a Renminbi currency risk.

33. FOREIGN CURRENCY SENSITIVITY-continued

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

2014-12-31

	<u>RMB</u>	<u>USD</u>	<u>HKD</u>	<u>EUR</u>
	kEUR	kEUR	kEUR	kEUR
Financial assets				
Trade and other receivables (Note 25)	12,218	1,323	-	-
Bank balances and cash (Note 26)	<u>13,098</u>	<u>9</u>	<u>4</u>	<u>39</u>
	<u>25,316</u>	<u>1,332</u>	<u>4</u>	<u>39</u>
		<u>RMB</u>	<u>USD</u>	<u>EUR</u>
		kEUR	kEUR	kEUR
Financial liabilities				
Trade and other payables (Note 27)		3,432	-	-
Related parties payables		-	-	634
Advances from customers		<u>-</u>	<u>2,283</u>	<u>-</u>
		<u>3,432</u>	<u>2,283</u>	<u>634</u>

2015-06-30

	<u>RMB</u>	<u>USD</u>	<u>HKD</u>	<u>EUR</u>
	kEUR	kEUR	kEUR	kEUR
Financial assets				
Trade and other receivables (Note 25)	11,156	2,570	-	-
Bank balances and cash (Note 26)	<u>20,178</u>	<u>13</u>	<u>-</u>	<u>36</u>
	<u>31,334</u>	<u>2,583</u>	<u>-</u>	<u>36</u>
		<u>RMB</u>	<u>USD</u>	<u>EUR</u>
		kEUR	kEUR	kEUR
Financial liabilities				
Trade and other payables (Note 27)		3,748	-	-
Related parties payables		-	-	656
Advances from customers		<u>935</u>	<u>1,400</u>	<u>-</u>
		<u>4,683</u>	<u>1,400</u>	<u>656</u>

A 5% strengthening of the RMB/ USD/ PLN against the EUR as at 31 December 2014 and 30 June 2015 would have had the following impact on the net profit after taxation and equity by the amounts shown below:

	<u>As at 31 December</u>	<u>As at 30 June</u>
	<u>2014</u>	<u>2015</u>
	kEUR	kEUR
RMB	930	1,133
USD	(40)	50
HKD	*	*
PLN	2	*

*Amount less than EUR 1,000.

A 5% weakening of the RMB/ USD/ PLN against the above currency as at 31 December 2014 and 30 June 2015 would have the equal but opposite effect on the currency of the amounts shown above.

33. FOREIGN CURRENCY SENSITIVITY-continued

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.

34. CONTINGENCIES

As at 30 June 2015, the Group had no contingencies that needed to be disclosed.

35. COMMITMENTS

As at 30 June 2015, the Group had no commitments that needed to be disclosed.

36. 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 38 were approved and authorized for issue by the Board of Directors on August 26, 2015 and are signed on its behalf by:

Xie Qiulin

DIRECTOR

Xie Kaida

DIRECTOR

Huang Zhimin

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

Wu Rongfu

MEMBER OF THE SUPERVISORY BOARD

Du Zhanghe

MEMBER OF THE SUPERVISORY BOARD