Consolidated Financial Annual Report of PEIXIN International Group N.V.

for the year ended

31 December 2013

Contents

1. CEO letter to the Shareholders

Dear Shareholders

It is our pleasure to present the annual report of PEIXIN International Group N.V. for the year 2013 – our first annual report as a WSE listed company. 2013 was a year of great developments in our Company that resulted in becoming a listed company and delivering outstanding financial results – revenue grew by ca. 28% and we were able to even increase gross margin to nearly 38% - which we believe are satisfactory for our shareholders and illustrate potential growth of our Group.

Last year, we made numerous significant steps in our strategic development, resulting in major changes in our organization. First of all, we implemented a new holding structure PEIXIN International Group N.V. as the parent company located in the Netherlands. The new structure is optimal taking into account further development of PEIXIN Group and what is more important – enabled the Company to seek financing on the Polish capital market. As a result in October 2013 PEIXIN became a truly international holding with the parent company registered in Amsterdam (the Netherlands) and listed on the Warsaw Stock Exchange in Poland and operating facilities located in Fujian province, China.

In order to be able to respond to growing demand for machines for daily-use hygiene products in the key strategic markets, in 2013 the Group implemented the first phase of investment plan aimed at increasing production capacity. Following the strategic decision, after several months of intensive work PEIXIN is about to start production in a newly-adapted workshop and is to make a final decision regarding purchase of a piece of land to start the construction of a new production plant, which is the main part of the second phase of updated investment plan. The update of the Group's investment plan was necessary due to lower IPO proceeds than initially expected. Nevertheless we strongly believe, that investment plan completion, financed using external sources and generated cash, will result in assumed capacity increase, enabling PEIXIN and its Shareholders to benefit from opportunities offered by the fast-growing market.

The attractiveness and high potential of the market we operate on is reflected in PEIXIN's outstanding financial performance. Thanks to our significant efforts to maximize the benefits of growing market in the financial year 2013 PEIXIN reported a double-digit revenues growth and managed to increase margins. Revenues in 2013 increased by 27.7% yoy, to EUR 59.4 million. The increase was mainly the result of a growth of number of units sold, especially those more technologically advanced. The Group also slightly increased the price for some types of diaper and tissue machines, based on the contribution of the new technologies. When it comes to geographical breakdown – PEIXIN's growth in revenues in 2013 was mainly generated on domestic market (63% of the revenues) following trends of increasing internal consumption resulting in growth in manufacturing industry and government supportive attitude towards the industrials. Meanwhile, we remain focused on building and maintaining strong relationship with the international clients and developing business directly in the overseas market. The diversification of sales between domestic and international markets, while maintaining a significant presence on both of them, remains the Group's strategic goal.

The Group's gross profit margin for the year 2013 increased to 37.6% from 36.3% in 2012 and the net profit margin went up to 26.5% from 24.4% respectively. As a result PEIXIN's net profit grew by 39% yoy, to EUR 15.8 million.

Our strong cash position and net profit level enable us to maintain our strategic commitment for the dividend policy, even though PEIXIN is implementing an investment plan of estimated CAPEX amounting to around EUR 56 – 72 million in 2014 and 1H of 2015. Consequently, the Management Board maintains its plans to recommend distribution of the capital to the Shareholders according to the disclosed dividend policy.

Taking into account PEIXIN's ability to maximize benefits arising from sound domestic market and strengthening international presence, as well as positive effects of investment plan implementation we are expecting another successful and prosperous year. We continue to strive to maximize the value of the Company for the benefit of our current and potential Shareholders.

Yours Sincerely

Qiulin Xie

CEO, PEIXIN International Group N.V.

2. Report of the Supervisory Board

2.1 Meetings and activities of the PEIXIN's Supervisory Board in 2013

The Supervisory Board of the PEIXIN International Group N.V. (hereinafter "the Company") supervises the Management Board and the general course of affairs of the Company and the business connected with it. The Supervisory Board assists the Management Board by giving advice. In performing their duties, the Supervisory Board members must act in accordance with the interests of the Company and its business.

The financial year 2013 was the first year that the Company was listed on the Warsaw Stock Exchange. The Supervisory Board met seven times, during which, among other topics, the following items were discussed:

- the Company's business strategy, including leverage of the domestic and international markets, products segments concentration, production expansion and R&D development;
- implementation of development plan;
- strengthening of the Company's financial position;
- potential sources of long term capital;
- performance review of the Management Board and evaluation of the Company's remuneration policy;
- the corporate governance structure of the Company;
- risk management and processes undertaken during the year;
- group restructuring anticipating Polish tax regulations;
- evaluation and re-appointment of the Company's auditors, and
- financial results and other related issues.

All Supervisory Board meetings held in 2013 were attended by the majority of the members of the Supervisory Board. No members of the Supervisory Board have been frequently absent.

The Supervisory Board discussed also its own functioning, the functioning of its committees and its individual members, based on the individual interviews with the Supervisory Board and the Management Board members conducted by Chairman of the Supervisory Board. The main conclusions and actions were discussed in a joint meeting with the Management Board.

Moreover, in the financial year 2013, the Supervisory Board also discussed the Company's corporate strategy, the main risks of the business, and the result of the assessment by the Management Board of the structure and operation of the internal risk management and control systems, as well as any significant changes thereto. In regard to internal risk management and control system, the Company does not yet have a code of conduct, but intends to adopt a code of conduct in due course.

2.2 Composition of the Supervisory Board

During 2013, as well at the date of publication of this annual report, the Supervisory Board was composed of the following members:

- Mr Ya Li (Chairman);
- Mr Ming Shen;
- Mr Liem Tsong Lucien Tjon;
- Mr Jarosław Dariusz Dąbrowski; and
- Mr Rongfu Wu.

The Supervisory Board members were appointed by the General Meeting on 9 September 2013 for a period of four years with effect as of 10 September 2013, provided that the members of the Supervisory Board retire periodically in accordance with a rotation plan drawn up by the Supervisory Board. Mr. Ya Li was appointed as chairman of the Supervisory Board.

The following paragraphs contain brief biographies and business addresses of the members of the Supervisory Board:

Mr Ya Li (34) is a Chinese citizen. He has been Deputy Manager and Strategic Manager in Fujian Peixin Machinery Making Industrial Co., Ltd since August 2008. From 2004 to 2008 he was General Manager in Jinjiang Xingmin Financial Consulting Company. In the early 2000s he gained experience serving as Financial Manager in Fujian Daqing Group and Rizhongqing Clothing Company. Mr Ya Li held the position of Professor at Anhui University of Finance and Economics from 1999 to 2000. In 2009 Mr Ya Li received a Bachelor degree from Beijing Technology and Business University. Mr Ya Li also graduated in 1999 from Anhui University of Finance & Economics. The business address of Mr Ya Li is Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian. The current term of office of Mr Ya Li expires at the date of the annual General Meeting in 2017.

Mr Ming Shen (53) is a Canadian citizen. He has been CFO in Weifang Quanxin Chemical Ltd. since 2010. From 2005 to 2010 Mr Ming Shen worked in Leyi Investment Advisory. From 2000 to 2004 Mr Ming Shen was Country General Manager at COFACE China and in 2000 he served as Vice President of CareerNext.com in Hong Kong. During the 1990s Mr Ming Shen was responsible for strategic and project planning in Coca-Cola China Limited and Pepsi-Cola Company in Hong Kong. In 1995 Mr Ming Shen received an MBA diploma from the University of Western Ontario, Canada. Mr Ming Shen graduated from the University of Victoria, Canada in 1989 where he received Master degree. In 1985 Mr Ming Shen received a Bachelor degree in International Law from the China Foreign Affairs College. The business address of Mr Ming Shen is Shuangyang Overseas Chinese Economic-develop Area, Luojiang, Quanzhou, Fujian. The current term of office of Mr Ming Shen expires at the date of the annual General Meeting in 2017.

Mr Liem Tsong Lucien Tjon (53) is a Dutch citizen. Apart from serving as the Supervisory Board member he has been the owner of Vof Administratiekantoor Tjon since 1994 and a shareholder and director at Xin Yang International B.V. since 1996. Formerly Mr Tjon has held the position of financial assistant at Polanen Theater, Amsterdam and financial consultant at Van der Hoek Accountancy & Tax. The business address of Mr Tjon is Vof Administratiekantoor Tjon, Geledersekade 410A, 1011 EJ, Amsterdam. Pursuant to the rotation plan of the Supervisory Board, the current term of office of Mr Liem Tsong Lucien Tjon expires at the date of the annual General Meeting in 2016.

Mr Jarosław Dariusz Dąbrowski (49) is a Polish citizen. He has been active in the financial sector for over 15 years and has accrued wide experience in initiating and developing business enterprises. In 2010 Jarosław Dąbrowski started a privately owned corporate finance partnership under name Dąbrowski Finance. From 2004 to 2009 Jarosław Dąbrowski was President of the Board of DnB NORD Bank Polska S.A. Jarosław Dąbrowski was the co-creator of Raiffeisen Leasing Polska S.A. and was a member of the company's Supervisory Board. In 1989 Mr Dąbrowski received a Master degree in Law from the University of Warsaw and in 1992 a diploma in Management from Edinburgh University Management School. In 1998 he achieved the MBA diploma at University of Warsaw, Management Faculty, Centre of Management Training and in 2007 an AMP diploma from IESE Management School, University of Navarra. The business address of Mr Dąbrowski is Dąbrowski Finance Sp. z o.o., Pl. Piłsudskiego 1, Warsaw. Pursuant to the rotation plan of the Supervisory Board, the current term of office of Mr Jarosław Dariusz Dąbrowski expires at the date of the annual General Meeting in 2015.

Mr Rongfu Wu (28) is a Chinese citizen. He has been engineer at Fuijan Peixin since May 2009. Before that, from July 2007 he was employed as technican at Hengan Group-Hengan China Paper Manufacturing Co. Mr Rongfu Wu graduated from Haerbin Technolgy University, Mechanical Engineering in June 2007, where he received Bachelor degree. The business address of Mr Rongfu Wu is Fujian Peixin Machinery Making Industrial Co., Ltd, Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian. Pursuant to the rotation plan of the Supervisory Board, the current term of office of Mr Rongfu Wu expires at the date of the annual General Meeting in 2014.

2.3 Committees of the Supervisory Board

2.3.1 *Audit Committee*

The Audit Committee comprises three members of the Supervisory Board, namely Mr.Ya Li, Mr. Ming Shen and Mr. Lien Tsong Lucien Tjon. The chairman of the Audit Committee is Mr. Lien Tsong Lucien Tjon, whose expertise in financial planning and analysis, management, investment and corporate financing enables him to provide leadership for the Committee. The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports. Moreover, the Audit Committee evaluates the performance of the external auditors and related costs.

The Audit Committee has also been involved in the process of assessing the performance and costs of the external auditor. The Audit Committee had three meetings during the year 2013. During the meetings, the Audit Committee considered the expected prospects of the Company after listing, considered internal control review findings, and confirmed the investment plan proposed by the Management Board.

The Audit Committee met also with the external auditors without the presence of the members of the Management Board. The Audit Committee found BDO Audit & Assurance B.V. auditing work satisfactory, both from work quality, as well as costs perspective. In the opinion of the Audit committee there are not circumstances justified change of external auditors.

In the view of Supervisory Board, the Audit Committee adequately fulfills the task of monitoring the Company's financial reporting, and as such does not consider it necessary to appoint an internal auditor at this time.

2.3.2 *Remuneration Committee*

The Remuneration Committee comprises three members of the Supervisory Board, namely Mr. Ya Li, Mr. Ming Shen and Mr. Jarosław Dariusz Dąbrowski.

The chairman of the Remuneration Committee is Mr. Ming Shen. The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Supervisory Board on the overall remuneration structure and policy as well as the specific remuneration packages for the members of the Management Board and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Management Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. During the year ended 31 December 2013, the Remuneration Committee held two meetings to discuss and approve the overall remuneration structure and policy as well as the specific remuneration packages for the members of the Management Board and senior management and the establishment of a formal and transparent process for developing such remuneration policy for recommendation to members of the Supervisory Board and the Management Board for the year ended 31 December 2013.

During meetings hold in financial year 2013, the Remuneration Committee reviewed the overall remuneration structure and policy, as well as the specific remuneration packages for the individual members of the Management Board. Due to the fact that the Company is a listed company since October 2013, the Remuneration Committee didn't find any significant circumstances that justified making recommendation on change of the current remuneration structure and policy.

2.4 Independence of the members of the Supervisory Board

In accordance with best practice provision III.2.1 Dutch Corporate Governance Code the (hereinafter "the DCGC"), all members of the Supervisory Board, with the exception of not more than one person, must be independent within the meaning of best practice provision III.2.2 of the DCGC. The Company does not comply with best practice provision III.2.1 of the DCGC as Mr Rongfu Wu and Mr Ya Li are not considered independent within the meaning of best practice provision III.2.2 of the DCGC.

Detailed information on independence of the members of the Supervisory Board is included in point 5.4 Application of Dutch Corporate Governance Code.

2.5 Remuneration of the Supervisory Board

Detailed information on the remuneration of the Supervisory Board is included in the note 18 to the consolidated financial statements.

2.6 Financial statements

The Management Board has prepared the 2013 financial statements. The Supervisory Board familiarized with these financial statements and discussed it attended by the auditors.

Supervisory Board of the PEIXIN International Group N.V.

Ya Li	Chairman	— signed —
Ming Shen	Member of the Supervisory Board	— signed —
Liem Tsong Lucien Tjon	Member of the Supervisory Board	— signed —
Jarosław Dariusz Dąbrowski	Member of the Supervisory Board	— signed —
Rongfu Wu	Member of the Supervisory Board	— signed —

10 March 2014,

Amsterdam, The Netherlands

3. Report on operations for the year 2013

3.1 General information about the Group

3.1.1 *The Group structure*

As of the reporting date i.e. 31 December 2013 the Group comprised of the parent company PEIXIN International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and three subsidiaries. The PEIXIN International Group N.V. is the sole shareholder of Peixin International BVI, whereas Peixin International BVI Peixin International Group Ltd. was a sole shareholder of two subsidiaries: Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd.

After the reporting date, i.e. in February 2014 the Company established another subsidiary Baixin Industry Co. Ltd., for which the sole shareholder is Peixin International BVI, direct subsidiary of the Company.

The current structure of the Group, at the publication date of the annual 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 Prins Bernhardplein 200, 1097 JB 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 two subsidiaries (Fujian Peixin and Quanzhou Peixin). In February 2014 third subsidiary of Peixin International BVI was established, i.e. Baixin Industry:

- **Fujian Peixin**, which scope of business includes manufacturing and selling of precision machinery and equipment used for the production of various sanitary
- **Quanzhou Peixin** has no operational activity. The company possesses certain land use rights, real estates and trademarks Formerly performed operating activities
- **Baixin Industry** has been established in connection with planned purchase of a land and plant construction in Yongchun county. Its scope of business includes manufacturing of hygienic products machines and other machines.

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

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

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

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

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

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

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

On February 2014 the Company established a new subsidiary (Baixin Industry Co Ltd.) to operate a new plant to be constructed within the 2nd phase of the investment plan. Due to the legal requirements the Company is required to establish a new entity to operate factory located in another city. Baixin Industry Co. Ltd. has registered capital of EUR 5 million and is wholly owned by Peixin International Group BVI.

The establishment of this new entity did not influence the financial statements for the year 2013 or affect comparability of financial data presented in this annual financial statements.

3.1.1.2 Branch establishments

In January 2014 the Group established its first overseas branch located in Ankara, Turkey to facilitate service not only in Turkey, but also in the continental Europe, Northern Africa and Middle East. As of the date of the report there were 2 people employed in this branch.

3.1.2 *Business and products description*

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

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

Sanitary napkin machines segment:

Automatic Folding Napkin Paper Machine

Semi-automatic Sanitary Napkin Production Line

Diaper machines segment:

Full-servo control full-function baby diaper line

Tissue machine segment:

Semi-servo Pets Pad Line

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

Over the year 2013, the Group continued to transform product structure towards more complex and more functional production lines, which is the main reason to drive the sales.

As of the 31 December 2013, the Group offered over 40 models of machines. During the year 2013, four more new products were developed and are ready to be introduced to the market.

In response to clients' cyclical demands the Group introduced new models of machines to the offering: nine new models in 2010, four in 2011, one in 2012 and four in 2013.

With nearly 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest 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. During the year 2013 the full servo diaper machines were more welcomed and accepted by the clients. In addition, sanitary napkin segment is still supported by the strong market demand on the sanitary napkins. The Group enjoys the steady growth in this segment.

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

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

In 2013 the Group’s growth in revenues was mainly generated on domestic market following more visible increase in manufacturing industry and the incentive and encouragement from the government. Meanwhile, the Group’s overseas marketing team dynamically maintains the strong relationship with the international clients and develops business in the direct overseas market. At the beginning of 2014 the Group established its first overseas service office in Ankara, Turkey to further facilitate direct international sales. The high quality products and professional services of the Group not only enhanced the strong brand recognition of “PEIXIN” but also helped the Group achieve significant increase in 2013 around 80% of sales are contributed by the repeated orders from the current customers.

The Group distributes its products internationally mainly through China-based trading companies who sell the Group's products on to end users. The Group also distributes part of its products directly to international end users. Domestically, the Group intends to extend its distribution coverage from the coastal areas of China to other inland and economically growing regions. Because of the advanced technology and high quality of the products, more and more orders are received from the current domestic clients. The Group also intends to intensively increase its direct presence in selected overseas markets such as India, Turkey and the USA by increasing promotional efforts such as targeted advertising and participation in exhibitions. Especially, after the Group successfully participation in the Istanbul International Technical Textiles & Nonwoven Trade Fair in June 2013, its products and brand are more recognized on the Turkish market, which is a key sales direction. It provides a strong function for the Company to set up its sales and service office and develop the business in Turkish market.

Because of the increasing demanding on the competitive price and quality of its products from the international markets during the economy downturn, the Group promptly and prudently adjusted its operating strategy to aggressively enlarge the international market occupation in the second half year of 2012. In view of the overall performance, PEIXIN obtained some certain achievements. PEIXIN balanced the orders from different type of customers and offered different term of payment, which not increase the sales, also cautiously control the risks. Though the Company’s production capacity is approaching the limitation, optimized orders arrangement reduce the production pressure, and flexibly met the customers’ needs. Furthermore, as the industry is currently undergoing adjustment, the Group is renovating the workshop in order to increase the production capacity right away. More training for its technicians and experienced skilled worked recruitment are implementing in order to make the preparation for the new workshops. The Company continues its investment in research and development to strengthen its competitive edge. Although the Company had implemented a number of R&D projects to enhance technology advantages and impact in the market, the industry changes rapidly from the harsh market conditions, as a result, the Company is willing to spend more efforts on R&D continuously in order to keep its technology leading position in China and narrowed the gap with the developed countries. The overall performance met the expectation.

3.1.3 *Market overview*

In 2013, the global politics and economy were volatile whereas China's economy maintained steady growth. It is generally considered that China's exports have been persistently affected by the slow recovery of the global economy. With the aim of maintaining momentum in economic growth, it is generally considered that the Chinese government has continued its economic reforms by expanding domestic demand. China's GDP grew by 7.6% in the first half of 2013, while total retail sales of consumer goods rose by 12.7%. In addition, per capita annual disposable income of urban residents increased by 6.5% to RMB 13,649 or ca. EUR 1.7 thousand (after deducting price factors) as a result of the country's rising pay and consumption-spurring policies. It is generally considered that the Chinese government's economic policies have managed to stabilize inflation. The country's CPI grew at a relatively mild pace of 2.4% in the first half of 2013. However, the PPI continued to fall by 2.2%, which has raised concerns among general public about the ongoing economic slowdown in China. Policymakers are generally believed to have engaged in more immediate measures to reduce the risk of a so called hard landing and to strengthen consumer confidence in China's economic outlook.

As the economic growth momentum moderated and prospects remained stable, it supports the consumer sentiment on the market. The demand for the hygienic products keeps strong as well. The aggressive demand offered a positive impact on the Group's turnover. As one of the leading hygienic products machines enterprises in China, PEIXIN always closely monitors the changes in the market environment.

The daily-use hygiene product machinery market, on which the Group operates, is highly fragmented with numerous producers located mostly in coastal cities of China. Its development is driven by growth of the end product market – hygiene product market. The Chinese hygiene product market is represented by various segments, all of which display different market characteristics. Particular demand and growth drivers vary depending on the segment of the hygiene industry. The main sectors of the daily –use hygiene product market in the PRC for which the Group provides its machinery and equipment includes: the diaper market comprising baby diapers and adult diapers, sanitary napkins and other products including in particular facial tissues and pets pads.

Over 2013 no significant newcomers appeared in the Company's operating market, nonetheless due to advancing technology the environment is getting more and more competitive. The Company observes that number of potential clients is constantly rising, both domestically and internationally. Moreover majority of hygiene products manufacturers operate close to full capacity.

3.2 Selected financial data

'000 EUR	2012	2013
revenues	46 509	59 407
gross profit	16 890	22 322
operating profit	13 792	18 633
EBITDA	15 020	20 221
profit before tax	13 527	18 527
net profit	11 369	15 772
cash flow from operating activities	14 600	11 863
cash flow from investing activities	- 1 149	- 9 701
cash flow from financing activities	- 5 904	- 1 314
net increase in cash and cash equivalents	7 547	848

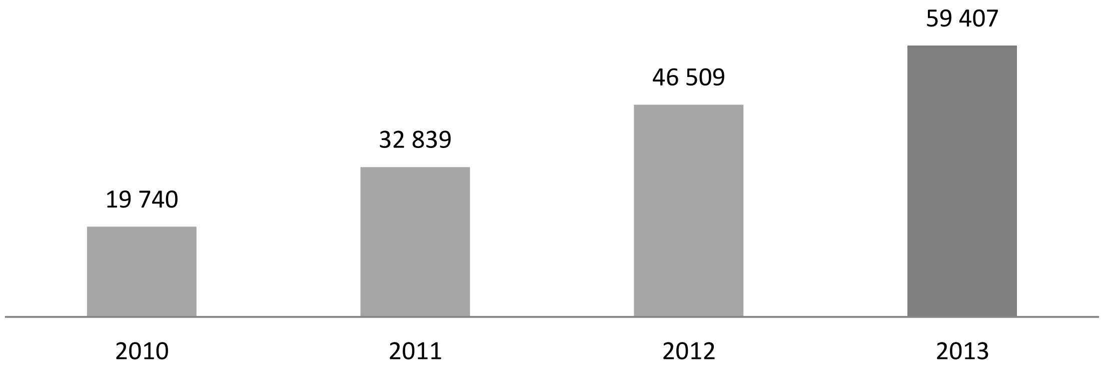
'000 EUR	31 Dec 2012	30 Sept 2013	31 Dec 2013
non-current assets	12 008	10 859	19 909
current assets	22 620	38 543	30 162
total assets	34 628	49 402	50 071
long-term liabilities	0	0	0
short-term liabilities	10 498	14 091	7 835
total equity	24 130	35 311	42 236
paid-in capital	0*	12 000	13 000

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

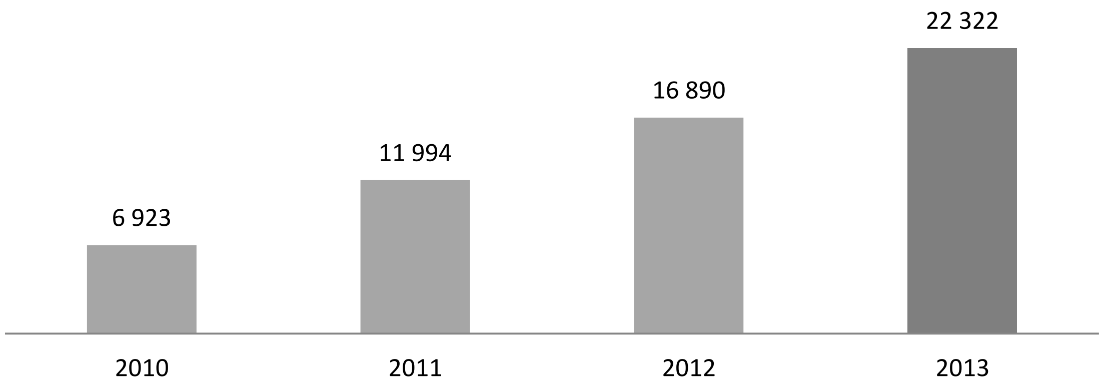
3.3 Operating and financial review

3.3.1 *Key financial charts*

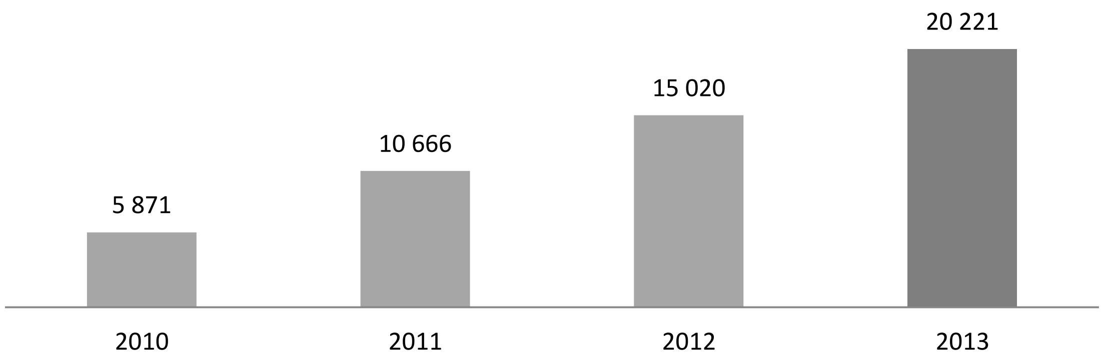
Sales '000 EUR



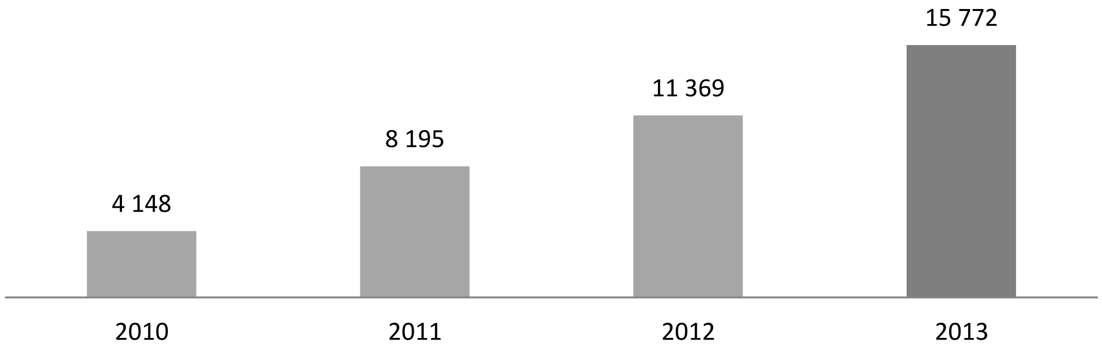
Gross Profit '000 EUR



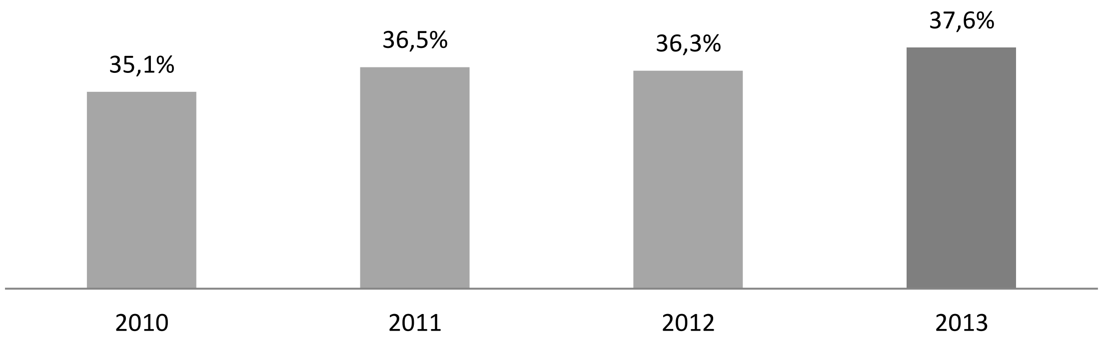
EBITDA '000 EUR



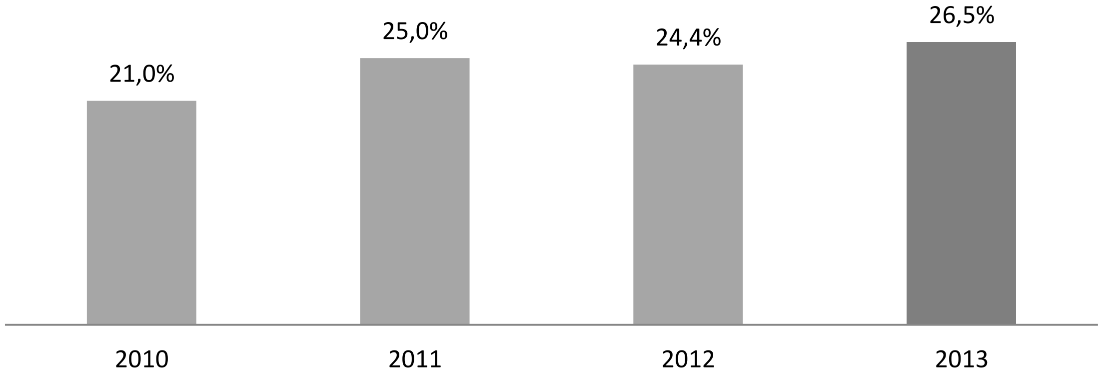
Net profit '000 EUR



Gross Profit Margin %



Net Margin %



3.3.2 *Profit & loss account*

3.3.2.1 Revenues

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

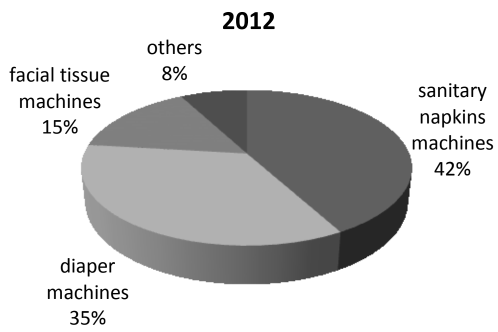
Revenues increased by EUR 12,898 thousand or 27.73%, from EUR 46,509 thousand for the year ended on 31 December 2012 to EUR 59,407 thousand for year ended on 31 December 2013. The increase of revenues was mainly the result of an increase of sales and number of units sold, especially units which were more technologically advanced such as full servo machines. Moreover, the Group slightly increased the price for some models of diaper and tissue machines based on the contribution of new technologies.

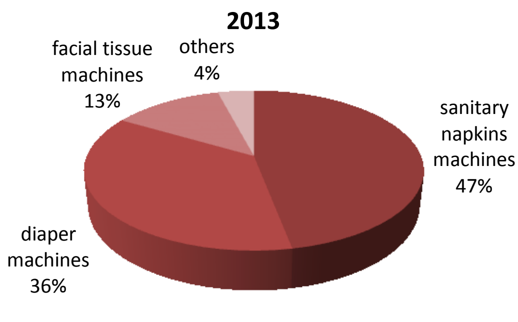
Revenues breakdown by segments

The following table presents the Group's revenues broken down into product categories for year 2012 and 2013.

	2012		2013		Change in revenues
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
Sanitary napkins machines	64	19,537	81	27,916	42.9
Diaper machines	35	16,219	49	21,627	33.3
Facial tissue machines	396	7,130	459	7,420	4.1
Other paper machines	67	3,623	85	2,444	(32.5)
Total	**562**	**46,509**	**674**	**59,407**	**27.7**

Sales breakdown by segments for year 2012 and 2013 is presented on charts below.





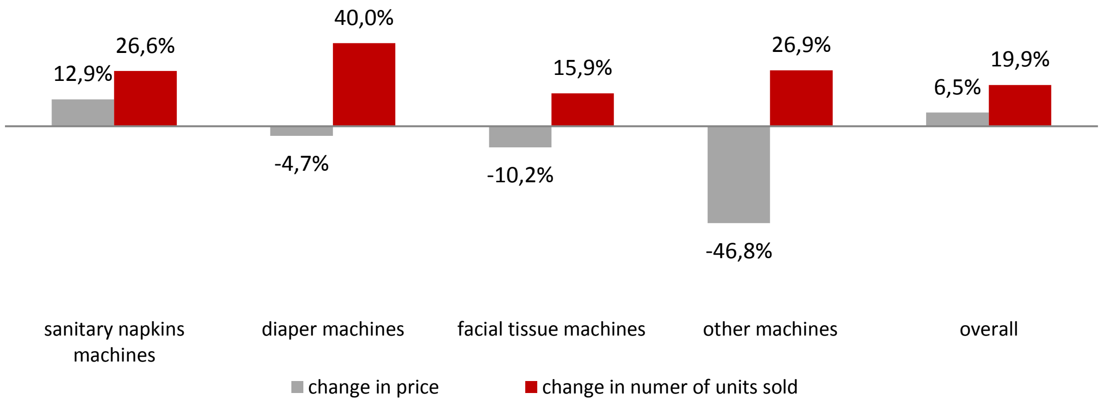
The Group experienced growth of revenues in sanitary napkins machines segment, mainly as a result of increase of sales of full servo machines in this segment. Sanitary machines produced by the Company are believed to be of high quality and competitive technology, therefore both domestic and international clients are willing to order the machines in order to be able to provide the market with high-quality end products. The sanitary napkin segment is most competitive amongst all segments the Company operates in. The Company maintains its competitive edge by providing high-end machines and maintaining its leading position in terms of quality. Top quality products complying with most- up-to-date technology enabled the Company to increase the average price of the machine attracting the customers pursuing for top quality products.

The Group also experienced strong growth in diaper machines segment (ca. 40% in number of units) mainly driven by full servo machines sold in this segment. Leading position of the Company in providing high-tech diaper machines continue to attract the customers. The products within a segment differ from one another in terms of technology used. Moreover, all of them are tailor-made and therefore the price is set based on customization. The slight change in average price (-4.8%) was a result of change in product mix – the Group sold more machines of slightly lower per-unit value than a year before. Change in product mix however does not impact margins generated on the segment.

Similar situation applied to the tissue machine segment where the Group enjoyed a sound growth in the number of units sold in facial tissue machines segment.

In other paper machines segment the Company recognized significant growth in number of machines however decrease in average machine price. In 2012 the Company sold 12 high-tech pad machines of significant per-unit value as well as many complimentary machines (add-ons) of lower per-unit value. Decrease in average price in 2013 result from the fact that the production mix was shifted more towards smaller machines and add-ons (such as stacker, bagger, etc.) which are of low per-unit value. The revenue generated in this segment is mainly driven by production volume in other segments and is not the core business of the Company.

Factors influencing sales in 2013 in relation to 2012 – segmental breakdown is presented on the chart below.



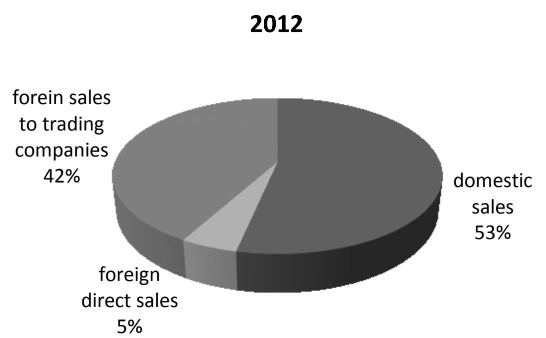
Sales geographic breakdown

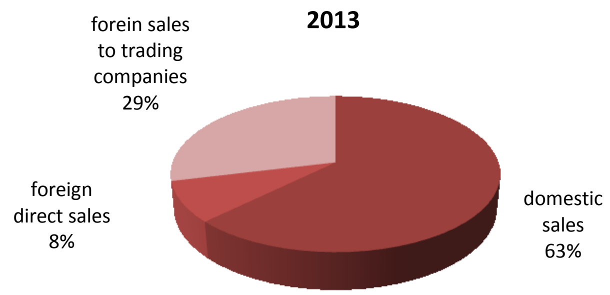
The Group distributes its products in China directly to its end users. The Group distributes its products internationally (i) through China-based trading companies that sell the Group's products on to customers and (ii) directly to international customers. Over year 2013 the Group’s growth in revenues was mainly generated on domestic market following trends of increasing internal consumption resulting in increase in manufacturing industry and government supportive approach towards the industrials – see Market Overview above. Meanwhile, the Group’s overseas marketing team dynamically maintains the strong relations with the international clients and develops business directly in the overseas market. The following table presents the Group’s revenues broken down by geographical split for year 2012 and 2013.

Revenue:	2012 '000 EUR	2013 '000 EUR	Change %
Direct sales			
- Mainland China	24,818	37,247	50.1
- Outside Mainland China	2,203	5,050	129.2
Sales to trading companies	19,488	17,110	(12.2)
Total	**46,509**	**59,407**	27.7

	2012	2013
Number of units sold:		
Direct sales		
- Mainland China	328	428
- Outside Mainland China	51	46
Sales to trading companies	183	200
Total	**562**	**674**

Sales geographic breakdown for the year 2012 and 2013 is presented on charts below.





The increase of direct sales in mainland China was a result of the increased sales for sophisticated machines, especially full servo sanitary napkins machines and diapers machines. Increase in internal consumption relatively promotes domestic market.

The Company rapidly develops its direct presence on the overseas markets. Although the total number of machines sold through this distribution channel slightly decreased compared to 2012, the Company more than doubled the revenue. Executing its strategy, the Company managed to sell directly more technologically advanced machines of high per-unit price. Rapid development on the international markets and growing demand coming through this channel encouraged the Company to make decision to establish its first international branch in Ankara, Turkey (the branch is operating since early 2014).

In terms of sales to trading agencies, the Company continues to remain this trading channel, however would not like to rely on it strongly, focusing on development of direct international sales. The Company use indirect distribution channels to reach countries which are less prospective or where making business through distributors is more convenient (from political and business reasons), e.g. Afghanistan or Syria. In the most prospective ones, the Group prefers to operate directly.

Therefore in 2013, sales generated by trading agencies grew in terms of volume, however decreased by value. Most sophisticated machines (of high per unit value) were sold directly by the Group to most prospective countries. Moreover, slight drop in average price may be explained by the fact that most countries distributors sell their machines to cannot afford the high-end products.

3.3.2.2 Cost of Goods Sold

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

	2012	**2013**	**Change**
	'000 EUR	**'000 EUR**	**%**
Changes in inventories of finished goods and work in progress	948	(1,122)	(218.4)
Materials consumed in production	23,717	31,279	31.9
- Glue machines and motors	8,312	11,875	42.9
- Steel	5,081	5,303	4.4
- Electric controllers	3,771	5,816	54.2
- Knife roller\cylinder	950	1,196	25.9
- Other components	4,440	5,765	29.8
- Auxiliary materials	1,163	1,324	13.8
Labor	2,470	3,351	35.7
Depreciation and amortization	779	1,165	49.6
Outsourced manufacturing cost	884	1,307	47.9
Taxes and surcharges *	470	547	16.4
Water and electricity	347	495	42.7
Others	75	131	74.7
Foreign currency translation difference	(71)	(68)	(4.2)
Total	29,619	37,085	25.2

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

The cost of sales (the cost of production reconciled by changes in inventories of finished goods and work in progress and foreign currency translation differences) amounted to EUR 29,619 thousand in year 2012 and increased up to EUR 37,085 in year 2013. Materials consumed in production increased by EUR 7,562 thousand or 31.88% in year 2013 compared to 2013, whereas the cost of sales in 2013 increased by 25.2% as compared to the same period of 2012. The higher growth of the costs of the production for the period was mainly the result of increase in material consumed in production, mainly glue machines and motors and electric controllers which are required for production of the sanitary and diaper machines.

Within the production costs, costs of materials such as glue machines or electronic controllers grew relatively faster due to changes in the Company's overall production mix shifting towards more complex machines (using more of these parts compared to steel).

Apart from materials, significant changes occurred in value of depreciation and outsourced manufacturing costs. As a part of its investment plan, the Company renovated and reconstructed part of its production premises increasing their value in 2012 and in consequence increasing the depreciation charge in 2013. Outsourced manufacturing cost grew due to the fact that while the Company has been approaching its capacity limits, especially during production peaks, it outsourced a fragment of parts production. Partial outsourcing of this part of the business is almost indifferent for the Company's operating model as both its cost and quality is similar to the Company's internal production. What is more important, it provides flexibility in terms of production management especially in periods of increased number of orders.

Another important factor which affected the production cost was the cost of labour, which grew by 35.67 % year over year, triggered by the increase in both the number of working hours and the average hourly wages for employees. Despite this fact, labour costs still do not constitute significant part of COGS, compared to the materials' share.

3.3.2.3 Gross profit

Gross profit increased by EUR 5,432 thousand or 32.2%, from EUR 16,890 thousand in year 2012 to EUR 22,322 thousand in 2013.

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

	2012	**2013**	**Change**
Segment gross profit	**'000 EUR**	**'000 EUR**	**%**
Sanitary napkins machines	7,161	10,589	47.9
Diaper machines	5,923	8,333	40.7
Facial tissue machines	2,468	2,629	6.5
Other paper machines	1,338	771	(42.4)
Total	16,890	22,322	32.2

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

	2012	2013	Change
Segment gross margin	**%**	**%**	**p.p.**
Sanitary napkins machines	36.7	37.9	+1.2
Diaper machines	36.5	38.5	+2.0
Facial tissue machines	34.6	35.4	+0.8
Other paper machines	36.9	31.6	-5.3
Total gross margin	36.3	37.6	+1.3

The Company managed to increase the gross margin significantly, especially in diaper machine and sanitary napkin machine segments. The higher prices of the machines, which led to higher margins, were possible to be achieved due to the Company's constant development in terms of quality and technology.

The Company managed to increase its margins in every segment apart from other papers machines, where margin was extraordinary high in 2012 due to significant share of fruit pad machines in segment revenues. In 2013, less fruit pad machines were sold in favour of increased number of add-ons (complimentary machines), which generates slightly lower margin. Other paper machines segment is a non-core segment. Profit generated in this segment amounted to less than 4% of total gross profit generated by the Company.

3.3.2.4 Other income/expenses

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

	2012	2013	Change
	'000 EUR	**'000 EUR**	**%**
Government grant	85	7	(91.8)
Rental income	21	36	71.4
Sales of spare parts	59	229	288.1
Total	165	272	64.8

In 2013, the Company generated significantly higher profit from sales of spare parts, which in total amounted to over 80% of other income. For several years the Company has been increasing the portion of high-tech machines sold. Additional spare parts to these machines are more expensive, what was visible in 2013 other income.

3.3.2.5 Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	2012	2013	Change
	'000 EUR	**'000 EUR**	**%**
Staff costs	461	530	15.0
Marketing and advertising costs	301	257	(14.6)
Post-sales services costs	101	164	62.4
Traveling costs	99	60	(39.4)
Depreciation	-	6	-
Others	63	104	65.1
Total	1,025	1,121	9.4

Staff costs

Staff costs constituted 44.98% of the Group's distribution and selling expenses for year 2012 and 47.28% for the year 2013. Staff costs increased by EUR 69 thousand, or 14.97%, from EUR 461 thousand in 2012 to EUR 530 thousand in 2013 mainly as a result of the increased sales commission based remuneration of selling staff.

Post-sales services costs

Post-sales services costs increased by EUR 63 thousand, or 62.38%, from EUR 101 thousand in year 2012 to EUR 164 thousand in 2013 mainly as a result of increased spare parts cost as the Group provided more service for its products to the clients during the warranty period.

3.3.2.6 Administrative expenses

Administrative expenses increased by EUR 187 thousand or 15.34%, from EUR 1,219 thousand in year 2012 to EUR 1,406 thousand in 2013. The following table presents the Group's administrative expenses broken down into categories.

	2012	2013	Change
	'000 EUR	**'000 EUR**	**%**
Staff costs	326	399	22.4
Depreciation and amortization charges	401	362	(9.7)
Entertainment and office expenses	210	242	15.2
Miscellaneous taxes	186	171	(8.1)
Travelling and transportation expenses	60	166	176.7
Professional service fee	6	-	(100.0)
Others	30	66	120.0
Total	**1,219**	**1,406**	**15.3**

In the year 2013 the Group also paid a one-off professional service fee in connection with preparations for the Company's initial public offering. Some other administrative expenses such as travelling and transportation cost increased due to the fact that PEIXIN International Group N.V. became listed on the Warsaw Stock Exchange and held its general meetings in the Netherlands.

3.3.2.7 Research and Development Expenses

Research and development expenses increased by EUR 415 thousand or 40.73%, from EUR 1,019 thousand in year 2012 to EUR 1,434 thousand in 2013 mainly as a result of more materials were input for the R&D project compare to the same period of last year.

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

	2012	**2013**	**Change**
	'000 EUR	**'000 EUR**	**%**
Materials	482	849	76.1
Staff costs	453	448	(1.1)
Depreciation charges	73	131	79.5
Outsourced R&D	11	6	(45.5)
Total	1,019	1,434	40.7

3.3.3 *Balance sheet*

3.3.3.1 Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 3,438 thousand, or by 35.9%, from EUR 9,574 thousand as at 31 December 2012 to EUR 13,012 thousand as of the same period in 2013. The increase is related to purchase of new machinery, assumed in the investment plan.

Prepaid lease payments

In 2013 the Company made down payment for the land use right of EUR 4,855 thousand. The payment comprises around 40% of total land use right value. Land use right purchase is a part of 2nd phase of investment plan assumed by the Company and should be accomplished by the end of 1Q2014.

3.3.3.2 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 2012 and 31 December 2013.

	2012	**2013**	**Change**
	'000 EUR	**'000 EUR**	**%**
Raw materials and consumables	3,171	3,269	3.1
Work in progress	1,028	4,043	293. 3
Finished goods	2,535	641	(74.7)
Total	**6,734**	**7,953**	18.1

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

The table below presents the raw material and consumables composition of the Group as at 31 December 2012 and 31 December 2013.

	2012	2013	Change
	‘000 EUR	**‘000 EUR**	**%**
Glue machines and motors	300.7	607.4	102.0
Steel	1,559.6	1,216.4	(21.9)
Electronic controllers	341.9	295.7	(13.5)
Knife roller/cylinder	104.1	491.7	372.5
Other components	693.7	568.2	(18.1)
Auxiliary materials	170.7	89.5	(47.6)
Total	**3,170.7**	**3,268.9**	**3.1**

The level of particular components on stock is closely related to execution of orders placed and corresponding inventory management policy.

Trade and other receivables

Trade receivables constituted the majority of trade and other receivables as of 31 December 2013. The majority of the remaining other receivables constituted prepayments.

Trade and other receivables increased by EUR 5,775 thousand, from EUR 4,429 thousand as of 31 December 2012 to EUR 10,204 thousand as of 31 December 2013.

The increase, comparing to the previous year, was mainly the result of dynamic growth of sales throughout the year 2013. On top of that the Group improved payment terms for selected customers (including through extended payment periods). It was offered to its main customers in China, in particular to those with whom the Group had a long-lasting commercial relationship and who were in the process of consolidation and might create significant bigger demand for the Group’s machines afterwards. As of December 31, 2013 there were no trade receivables that were past due or impaired.

Bank balances and cash

Bank balances and cash increased by EUR 548 thousand or 4.8%, from EUR 11,435 thousand as of 31 December 2012 to EUR 11,983 thousand as of 31 December 2013.

3.3.3.3 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 949 thousand or 42.9%, from EUR 2,210 thousand as of 31 December 2012 to EUR 3,159 thousand as of 31 December 2013. The increase was mainly the result of significant purchases of raw materials and components necessary for the completion of the orders.

Indebtedness

The Company doesn't have any long term debt and short term debt as of 31 December 2013.

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

Advance from customers

Advance from customers increased by EUR 71 thousand or 2.0%, from EUR 3,582 thousand as of 31 December 2012 to EUR 3,653 thousand as of 31 December 2013. The increase was mainly the result of the Group receiving an increased number of orders from clients.

3.3.3.4 Non-current liability

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

3.3.3.5 Capital and reserves.

Capital and reserves increased by EUR 18,106 thousand or 75.0%, from EUR 24,130 thousand as of 31 December 2012 to EUR 42,236 thousand as of 31 December 2013.

The Company's capital structure changed significantly due to establishment of PEIXIN International Group N.V. – the Group's holding entity as well as initial public offering carried out in 4Q 2013.

As a result of contribution of Peixin International BVI shares to PEIXIN International Group N.V., the Group's retained profits were decreased by EUR 28,931 thousand. Share capital and share premium were increased by corresponding amount. The operation of establishing PEIXIN International N.V. on top of the Group has no significant influence on the Company's total equity value, apart from capital injection of EUR 45 thousand (paid-in capital of PEIXIN International N.V.).

In October 2013, the Company executed Initial Public Offering in which additional 1 million shares were issued, raising net 2,980 EUR of new capital, which afterwards increased share capital and share premium.

Other changes in capital and reserves result from profit for the year (EUR 15,772 thousand) and influence of exchange rates on financial data presentation (EUR -691 thousand).

3.3.4 *Cash flow*

	2012	2013
	'000 EUR	**'000 EUR**
net cash from operating activities	14,600	11,863
net cash from investing activities	(1,149)	(9,701)
net cash from financing activities	(5,904)	(1,314)
net movement in cash and cash equivalents	**7,547**	**848**
- exchange difference	(126)	(300)
cash at the beginning of the period	**4,014**	**11,435**
cash at the end of the period	**11,435**	**11,983**

In year 2013 the Group generated EUR 11,863 thousand from operating activities thanks to high profit. The amount is lower than presented in 2012 mainly due to more favourable payment terms granted to customers which altogether influenced the Company's working capital.

The Company invested EUR 9,701 thousand throughout 2013 mainly in purchase of property, plant and equipment as well as land use right. The Company investments are in line with the intended investment plan.

The Group's cash from financing activities was influenced mainly by inflows from IPO and debt repayment.

As a result of operating, investing and financing activities, the Company reported net cash movement of EUR 548 thousand.

3.4 Key factors affecting operating and financial results

3.4.1 *Unusual items, one-off events*

Over the year of 2013 there were no unusual items or one-off events which affected the Group's operating and financial results.

3.4.2 *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 year of 2013, no important events or transactions took place that are significant for the financial position of the Group.

3.4.3 *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.

3.4.4 *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.

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

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

3.5 Risk factors

3.5.1 *Risk Profile*

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 2013 8.5% of the Group's sales were in USD which is 74.6% higher than the same period of 2012. In the next 3-5 years, the Group would like to focus on direct international sales in order to 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 2013, the Group's distribution network consists of 23 salesmen operating mainly in coastal areas of China and direct overseas market, which generate substantially all of the Group’s revenue. Domestically, the Group intends to extend its distribution coverage from the current coastal areas of China to other inland and economically growing regions. The Group also intends to intensively increase its direct presence in selected overseas markets such as India, Turkey and USA by increasing promotional efforts such as targeted advertising and participation in exhibitions to increase its ability to directly distribute its products to international customers. Late 2013 the Group made a decision to establish first overseas office in Ankara, Turkey. The office has been operational since January 2014. The Group cannot ensure that its selling efforts will be satisfactory and there can be no assurance that its marketing and development efforts will not prove costly or ineffective. Moreover, the Group may not be able to successfully deal with legal and regulatory conditions in foreign countries that are different from those in China, what may impact its international expansion. If the Group fails to expand or develop its sales network as planned or if it loses its best performing salesmen, the Group may not be able to meet its sales' targets, which may have a material and adverse impact on the Group's business, financial position and results of operations.

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

The Group’s strategic objectives are to extend sales in China, increase direct international coverage, strengthen brand recognition, focus further on R&D and quality enhancing as well as further increase production capacities (detailed information on strategy is included in the point 3.6 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 3.7 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.

3.5.2 *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.

3.6 Strategy

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

- 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 (India, South Africa and South America), and some already-developed markets (North America, Turkey and Central and Eastern Europe)
- Strengthen brand recognition
- Further focus on R&D and quality enhancement
- Further increase production capacity

In 2013 due to faster growth of demand for machinery on domestic market the Group noted a more significant growth on that market comparing to growth of international sales. Nevertheless the Group would like to diversify its sales portfolio between domestic and international markets, maintaining significant presence on both of them.

In 2013, particular focus was put on direct international sales which resulted in significant growth in sales from this distribution channel. The Company intends to further strengthen this channel and sell its products directly in some most prospective countries. Late 2013 the Company made a decision to open its first overseas branch in Ankara, Turkey, which employs service coordinator & technician and services clients not only in Turkey, but also in continental Europe, northern Africa and Middle East. The branch started operations mid-January 2014. Executing further its strategy, the Company evaluates possible options to open another overseas office, but as of the date of report the decision has not been made.

The Company would also like to use indirect distribution channel (distributors) especially to sell to regions where direct presence is either impossible or suboptimal, due to political situation, business connections, etc. Such regions involve i.a. Afghanistan, Syria or North Korea. Moreover the Company uses the business network established by distributors. Especially in some remote areas direct presence and establishment of business relations may need time, therefore it is more reasonable to use indirect distribution channel.

3.7 Significant investment CAPEX

The Company intends to continue with its investment plan. The first investment phase, including mainly machinery purchase is expected to be completed by the end of March 2014. Due to lower than assumed proceeds from external financing sources the Group needed to revise its investment plan.

During 2nd phase of investment plan, the Company intends to complete construction of new facility. In 2013 the Company made down payment for the land use right. The Company expects that land use right purchase will be accomplished in 1Q 2014. The land area amounts to 71,262 sqm, it is located in special economic zone, dedicated for industrial use, around 60 km from the Company's current premises. The Company made decision to purchase ca. 40% larger plot than initially planned to due to lack of smaller plots within the zone meeting the Company's needs. Due to that fact, the size of plant to be constructed may also be enlarged. Depending on size and timing of external financing acquired, the Company plans to develop the plot gradually. First workshops together with warehouses and workers' dormitory should be in place by the end of 2014, so the new facility could be operational from 2015. In case of successful acquisition of external financing, the size of workshops built may increase. If the Company needs to finance its investment plan only from internally generated funds, only half of the plot would be initially built-up. Size and timing of plant construction will determine also machinery purchase. The Company shall gradually equip the workshops along with its capacity needs and financing ability. Within the 2nd phase, the Company plans also to invest in R&D. Currently it is negotiating strategic R&D cooperation. Technology and products developed during the cooperation are supposed to be patented afterwards.

Execution of 3rd phase of investment plan is heavily dependent on acquisition of external financing (its commencement and size) and cash inflows from daily operations. Due to changes in 2nd phase, 3rd phase expenditure has been redesigned. Due to the fact that the Company is considering the purchase of larger plot, the land expected to be purchased in 3rd phase should be used for purpose of building the R&D Center rather than machinery production. It shall be situated closer to city of Quanzhou to facilitate acquisition of well-educated staff, i.a. from local university. The Company expects to start land purchase negotiation in 4Q 2014.

Table below presents the Company's assumptions concerning investment plan update.

m RMB	**2014**	**1H 2015**
Capex (2nd phase)		
Land	100	
Plant facilities	60-100	
Machinery	50-80	50-80
R&D	30-50	
Capex (3rd phase)		
Land	100	
Buildings		60-80
Office Equipment		20
Total	**340-430**	**130-180**
Total (EUR m)*	**40.4-51.1**	**15.4-21.4**

** Total investment value in EUR m has been included just for presentation purposes and assumes 8.4189 EUR/RMB rate (2013 year-end rate used for translation of the Company's financial statements). However, please note that the Group plans and executes its investment in RMB.*

Apart from investments described above, the Company intends to maintain its asset base by investing RMB 5-10m annually. Depending on final negotiations concerning R&D cooperation, the Company expects to spend ca. RMB 20m per annum on R&D.

Lower than expected inflows from IPO and necessity to adjust to changing business environment enforced amendments in the investment plan described in the prospectus. Despite that fact, the Company expects to meet assumed increase in capacity enabling it to benefit from opportunities on fast-growing market.

3.8 Dividend policy

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

The description of the Company's dividend policy was described in the IPO Prospectus. The Management Board of PEIXIN International Group N.V. has not changed its intentions to distribute the following amounts in the coming years:

- 10% of the consolidated net profit for 2013 which has been reviewed by the shareholders and approved by supervisory board;
- 10-30% of the consolidated net profit for 2014 and 2015;
- up to 50% - of the consolidated net profit for 2016 and later.

The dividend policy will be reviewed from time to time and payment of any future dividends will be made after taking into account the Company's earnings, cash flow, financial condition, capital investment requirements and other factors.

3.9 Shareholders and shares

3.9.1 *Share capital structure*

As of 31 December 2013 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.

3.9.2 *Major shareholders and shares*

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

Shareholder	number of shares	% in the share capital
Mr Qiulin Xie (Principal Shareholder)	10,500,000	80.77%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.62%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	4.62%
others	2,500,000	19.23%
Total	**13,000,000**	**100%**

In 2013, the Company made an initial public offering for up to 4,000,000 shares. On 27 September the Company determined the final number of shares offered at 1,000,000. On 1 October 2013 the Company's Management Board approved a resolution on allotment of 1,000,000 shares.

The Company's shareholding structure before initial public offering is set out in the table below:

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

3.9.3 *Issue of new shares*

In 2013, the Company made an initial public offering for up to 4,000,000 shares and its shares debuted on the Warsaw Stock Exchange. Detailed information on the initial public offering is included in the section 3.9.7 PEIXIN on the Warsaw Stock Exchange.

Besides abovementioned initial public offering the Company didn't issue any new shares in 2013.

3.9.4 *Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2013 and until the date of publication of the report*

As of 31 December 2013 the only Management Board member who held the shares in the capital of the Company was Mr Qiulin Xie, the Company's CEO who held 10,500,000 shares and holds the same number of shares as of the date of publication of this annual report. Mr Qiulin Xie didn't hold as of 31 December 2013 and doesn't hold as of the date of publishing of this annual report any rights to shares in the capital of the Company.

As the result of the public offering (allotment date on 1 October 2013) the ownership of Mr Qiulin Xie was diluted from 87.5% down to 80.77% in the Company's share capital.

None of the other Management Board members in the year ended 31 December 2013 and until the date of publication of the report holds shares or rights to shares in the capital of the Company.

3.9.5 *Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2013 and until the date of publication of the report*

None of the Supervisory Board members in the year ended 31 December 2013 and until the date of publication of the report holds shares or rights to shares in the capital of the Company.

3.9.6 *Special rights to control over the Company*

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

3.9.7 *PEIXIN International Group N.V. on the Warsaw Stock Exchange*

In 2013, the Company made an initial public offering for up to 4,000,000 shares at the maximum share price of 25 PLN. On 27 September 2013 the Company settled the offering price at 16 PLN and determined the final number of shares offered at 1,000,000. On 1 October 2013 the Management Board approved a resolution on allotment of 1,000,000 shares at the price of 16 PLN in the following manner: 800,000 shares allocated to institutional shareholders and 200,000 allocated to retail shareholders.

PEIXIN's shares debuted on the Warsaw Stock Exchange on the 9 October 2013.

PEIXIN is the first Chinese company quoted on the Warsaw Stock Exchange. PEIXIN's stock is the part of WIG index or so-called broad market index.

Over 2013 PEIXIN stock was traded in the range of 17.32-28.49 PLN intraday. On the debut day and on the following day the share price performed very strongly giving daily returns exceeding +25% supported by high trading volume close to 200 thousand shares each day. Share price peaked on the third day of trading /to the intraday level of 28.49 PLN/ and then over the next few days slid back to the level of 21,7 PLN. Starting from 23 October 2013 PEIXIN's stock followed a moderate upward trend with all-time closing price peaks on 20th and 21 November 2013 shortly after the Company released its 3Q 2013 financial report (on 15 November 2013).

Since the 3rd week of November until the end of 2013 the Company share price was in the downward trend following weak global capital markets sentiment due to execution of quantitative easing 3 tapering in the United States. Additionally at the end of 2013 the Polish capital market was specifically negatively affected by the soon expected implementation of the open pension funds reform which predominantly hit largest and most liquid entities gathered in blue-chip WIG20 index.

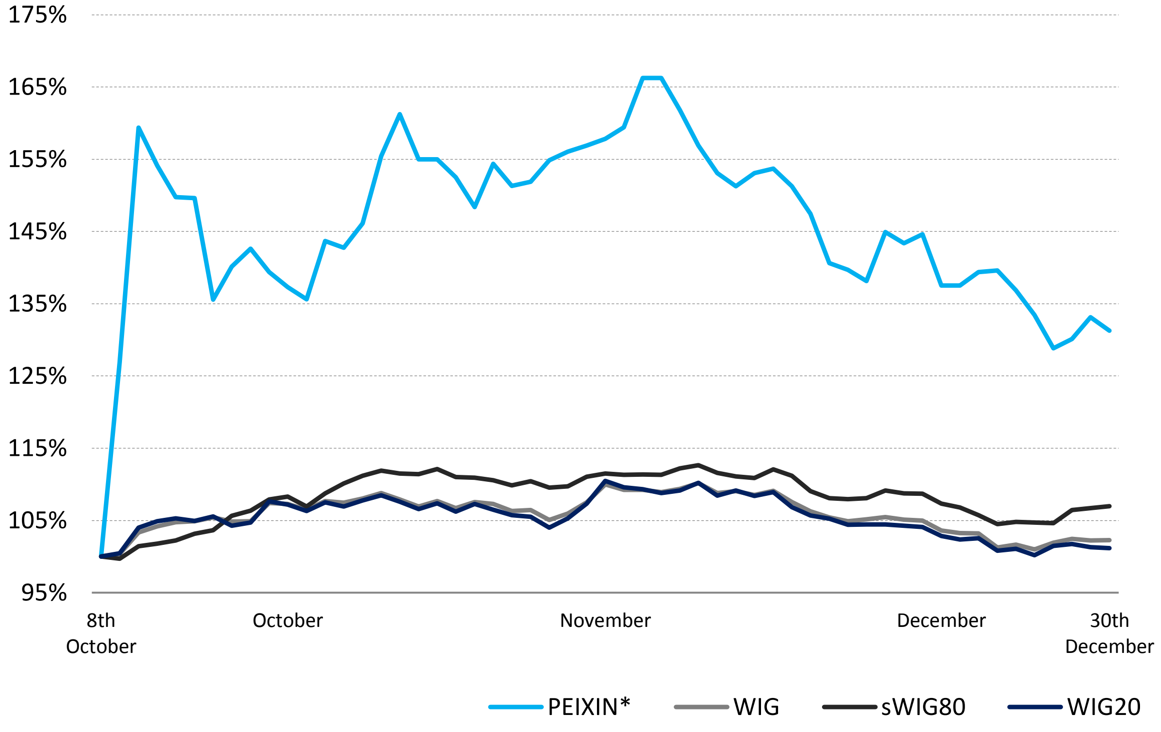
The rate of return on PEIXIN's stock in 2013 reached 31.3% in relation to the issue price and 3.4% in relation to the closing price as of the first day of trading (9 October). Over the comparable period the broad market WIG index returned 1.9% while the sWIG80 index (constituted of small capitalization companies) returned 7.3%. At the same time WIG20 index gave back a return of 0.7%.

Performance of PEIXIN stock and WSE indices

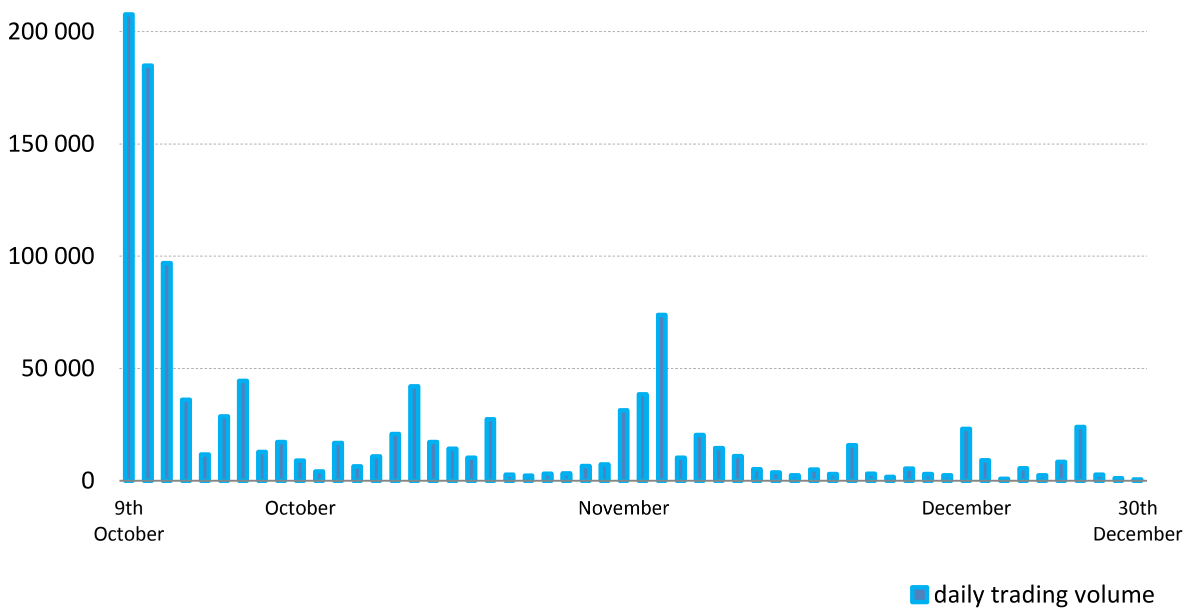
stock/index	value/price as of 8 October 2013	period high /at closing/	period low /at closing/	value/price as of 30 December 2013
PEIXIN	16,00 PLN*	26,60 PLN	20,31 PLN	21,00 PLN
WIG	50 137,88 pts	55 246,40 pts	50 335,02 pts	51 284,25 pts
sWIG80	13 399,64 pts	15 093,78 pts	13 361,98 pts	14 336,82 pts
WIG20	2 373,23 pts	2 622,25 pts	2 378,23 pts	2 400,98 pts

source: www.gpwinfostrefa.pl

** issue price for the Company*



** issue price for the Company as the initial price for the price graph*



3.10 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.

3.10.1 *Management Board*

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

As of 31 December 2013 the Management Board was composed of the following members:

name	age	position	member since	term	AGM on which term ends
Qiulin Xie	54	Chairman	2 July 2013	4 years	2017
Hongyan Dai	33	Chief Financial Officer	9 September 2013	3 years	2016
Kaida Xie	28	Sales and Marketing Manager	9 September 2013	2 years	2015
Bas Xue	38	Administrative Manager	2 July 2013	1 year	2014

Detailed information on powers and duties of the Management Board is included in the point 5.3 Management and supervisory bodies and their committees, as well as in the point 5.4.11 The powers of the Management Board, with particular reference to the issuance of the shares in the capital of the Company and the repurchase of shares in the capital of the Company.

3.10.2 *Supervisory Board*

As of 31 December 2013 the Supervisory Board was composed of the following members:

name	age	position	independent	member since	term	AGM on which term ends
Ya Li	34	Chairman	No	10 September 2013	4 years	2017
Ming Shen	53	Member	Yes	10 September 2013	4 years	2017
Liem Tsong Lucien Tjon	53	Member	Yes	10 September 2013	3 years	2016
Jarosław Dariusz Dąbrowski	49	Member	Yes	10 September 2013	2 years	2015
Rongfu Wu	28	Member	No	10 September 2013	1 year	2014

Detailed information on powers and duties of the Supervisory Board is included in the point 5.3 Management and supervisory bodies and their committees. Moreover in the point 2 Report of the Supervisory Board there is included information on activities of the Supervisory Board in financial year 2013.

3.10.3 *Remuneration Policy*

The Company has a policy on the remuneration of the Management Board members. This policy is determined by the General Meeting based on the proposal from the Supervisory Board. The remuneration policy includes the subjects described in Sections 2:383c through 2:383e of the Dutch Civil Code, to the extent these subjects concern the Management Board. The Supervisory Board established the remuneration and further conditions of employment for each Management Board member with due observance of the aforementioned policy.

Detailed information on the remuneration of the members of the Management Board and the Supervisory Board is included in the note 18 to the consolidated financial statements. This information includes the subjects described in Sections 2:383c through 2:383e of the Dutch Civil Code to the extent required. Subjects that are not included are not applicable.

4. Other information

4.1 Environmental matters

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

4.2 Employee matters

The following table presents the number of employees of the Group as of the end of year 2013 and 2012. The headcount remained relatively unchanged.

	2012	**2013**
Management and administration	35	36
Production and assembly	376	376
R&D	23	23
Sales	23	23
Total	**457**	**458**

5. Corporate Governance

5.1 General information

The Company is a Dutch public company with its registered office in Netherlands, which shares are listed on the Warsaw Stock Exchange. For this reason the Company is subject to both Dutch and Polish rules and regulations regarding corporate governance.

Both law regimes – Polish and Dutch – require attaching in the annual report information on application of respectively Polish and Dutch Corporate Governance.

5.2 Application of WSE Corporate Governance Rules

Polish corporate governance rules in the form of the “Code of Best Practice for WSE Listed Companies” (hereinafter the "WSE Best Practice”) were attached as Appendix to the resolution No. 19/1307/2012 of the Exchange Supervisory Board dated 21 November 2012.

The text of the WSE Best Practice is available on the website of Warsaw Stock Exchange S.A. at the following address: http://www.corp-gov.gpw.pl.

The WSE Best Practice consist of general recommendations relating to best practices for listed companies (Part I) and best practice provisions relating to management boards, supervisory board members and shareholders (Parts II to IV).

Compliance with the WSE Best Practice is voluntary. This regulation is based on "comply or explain" principle, which stipulates that the Company should either comply with this regulation or explain which rules will not be applied with indication of the reason of non-compliance.

The Company intends to comply with the WSE Best Practice fully, with the only exceptions arising when the Company is unable to comply due to restrictions imposed by Dutch law.

Pursuant to § 29.5 of the WSE Rules the companies listed on the Warsaw Stock Exchange are obliged to attach a report on the application of WSE Best Practice at the Company to the annual report. The scope and structure of yearly report on the application of corporate governance rules by listed companies is determined in Resolution No. 1013/2007 of the Warsaw Stock Exchange Management Board dated 11 December 2007 concerning the scope and structure of reports on the application of corporate governance rules by listed companies.

The Company attach below yearly information on the application of WSE Best Practice.

Exceptions to the application of WSE Best Practice

On the 14 October 2013 the Company published, in EBI System, current report No. 1/2013 on non-application of selected rules of WSE Best Practice. According to the abovementioned report the Company does not comply with the following best practices of the WSE Code of Best Practice:

Principle No. IV.10 of the WSE Code of Best Practice which states:

“A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

1) real - life broadcast of General Meetings;

2) real - time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting."

The reasons of non-compliance with this rule by the Company are efficiency and costs. In accordance with the Company's evaluation application of above rule involves additional costs, which are inadequate to potential benefits. However, the Company will consider implementing this principle in the future.

Principle No. II.8 of the WSE Code of Best Practice which states:

"If a company's Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2-4 of the Code of Commercial Partnerships and Companies, the company\'s Management Board shall immediately perform the actions it is required to take in connection with organizing and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorization given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies."

The reasons of non-compliance with this rule by the Company is the fact, that PEIXIN International Group N.V. is a public limited liability company incorporated and existing under the laws of the Netherlands, with its incorporated seat in Amsterdam, therefore applicable law in regard to General Meetings of Shareholders should be Dutch law.

Description of the procedures of the General Meeting and its main powers and the rights of the shareholders and procedures of their execution

The annual General Meeting must be held within six months after the start of each financial year. Typical agenda items at the annual General Meeting are expected to be: the report of the Management Board concerning the Company's affairs and the management as conducted during the previous financial year, the report of the Supervisory Board and its committees, the adoption of the Company's annual accounts, the allocation of profits and the approval of the dividend, the authority to issue Shares, the authority to restrict or exclude pre-emption rights, the discharge of the Management Board and Supervisory Board, corporate governance matters, the (re)appointment of the external auditor, the authority to purchase own Shares, and the composition of the Supervisory Board and the Management Board.

Extraordinary General Meetings can be held whenever the Management Board and/or the Supervisory Board deem desirable.

General Meetings must be convened by the Management Board or the Supervisory Board by sending a convening notice, which must be given no later than the 42nd day before the date of the General Meeting. This notice must include the location and the time of the meeting, an agenda indicating the items for discussion (and including any items proposed by Shareholders in accordance with Dutch law and the Articles of Association). The General Meetings must be held in Amsterdam, the Netherlands, or Haarlemmermeer (including Schiphol Airport), the Netherlands. The notice of the General Meeting must be given in such manner as is authorized by Dutch law, which includes, but is not limited to, a written notice, a legible and reproducible message by electronic means and an announcement published by electronic means.

Proposals of shareholders and other persons entitled to attend the General Meetings will only be included in the agenda if such proposal is made in writing and is received by the chairperson of the Management Board or the chairperson of the Supervisory Board no later than 60 days before the General Meeting, and the shareholders or other persons entitled to attend General Meetings, solely or jointly, hold Shares representing at least 3% of the issued share capital.

Each Shareholder is entitled to attend the General Meeting, to address the General Meeting and to exercise voting rights pro rata to its shareholding, either in person or by proxy. Each Shareholder that wishes to attend the General Meeting and to exercise its voting rights at the General Meeting must register no later than 28 days before the date of the General Meeting. Members of the Management Board and members of the Supervisory Board may attend a General Meeting. In these General Meetings, they have the right to give advice.

Each Shareholder may cast one vote per Share held. Resolutions of the General Meeting are passed by an absolute majority of votes cast unless Dutch law or the Articles of Association prescribe a greater majority.

The following resolutions of the General Meeting require a majority of eighty per cent (80%) of the votes cast in a meeting where at least fifty per cent (50%) of the issued share capital is present or represented:

- a termination of the admission to listing and trading of the Shares on a Regulated Stock Exchange;
- a restriction or exclusion of pre-emptive rights;
- an amendment of the Articles of Association; and
- the dissolution of the Company.

5.3 Management and supervisory bodies and their committees

Management Board

As of 31 December 2013 the Management Board was composed of the following members:

name	**position**
Qiulin Xie	Chairman
Hongyan Dai	Chief Financial Officer
Kaida Xie	Sales and Marketing Manager
Bas Xue	Administrative Manager

The Management Board is responsible for the management of the Company, the general affairs of the business of the Company as well as the Group under the supervision of the Supervisory Board. The Management Board is ultimately responsible for determining the Group's strategy and long-term planning in particular, as well as its internal control systems. The Management Board at least once a year provide the Supervisory Board with a report setting out detailed information on strategic policy, the general and financial risks and the Company's management and control system.

The Management Board may perform all acts necessary or useful for achieving the Company's corporate purposes, except for those expressly attributed to the General Meeting or the Supervisory Board as a matter of Dutch law or pursuant to the Articles of Association.

The Management Board requires the prior approval of the Supervisory Board for the following resolutions in matters relating to:

- entering into an agreement with a related entity with a value exceeding EUR 500,000. This approval is not required for resolutions to enter into an agreement with a subsidiary of which the legal title to a majority of the shares is held by the Company and which are on general market terms within the operational business of the Company;
- cooperation in the issue of depositary receipts for shares;
- the acquisition of a participating interest by it or by a dependent company in the capital of another company, the value of which equals at least the sum of one-quarter of the issued capital and the reserves of the participating company, as shown in its balance sheet with explanatory notes and any significant increase or reduction of such a participating interest;
- a proposal to dissolve the Company;
- an application for bankruptcy and for suspension of payments;
- the termination of the employment of a considerable number of employees of the Company or of a dependent company at the same time or within a short time-span;
- a significant change in the working conditions of a considerable number of employees of the Company or of a dependent company;
- a proposal to reduce the issued capital of the Company;
- a proposal to amend the articles of association of the Company; and
- a proposal for a statutory merger or demerger to which the Company is a party.

The absence of a Supervisory Board for the purposes of approving the above resolutions does not affect the authority of the Management Board or its members to represent the Company. The Supervisory Board may also require that resolutions of the Management Board other than those listed above be subject to its approval. Such resolutions must be clearly specified and notified to the Management Board in writing.

Under the Articles of Association and pursuant to Dutch law, a member of the Management Board may not participate in deliberating or decision-making within the Management Board, if with respect to the matter concerned he has a direct or indirect personal interest that conflicts with the interests of the Company and the business connected with it. If, as a result hereof, the Management Board cannot make a decision, the Supervisory Board resolves the matter.

In the event of a conflict of interest the Management Board remains authorized to represent the Company. In addition and pursuant to the Articles of Association, in the event of a conflict of interest the Supervisory Board may, ad hoc or otherwise, appoint one or more persons to represent the Company in matters in which a (potential) conflict of interests exists between the Company and one or more members of the Management Board.

Supervisory Board

As of 31 December 2013 the Supervisory Board was composed of the following members:

name	position
Ya Li	Chairman
Ming Shen	Member
Liem Tsong Lucien Tjon	Member
Jarosław Dariusz Dąbrowski	Member
Rongfu Wu	Member

The number of Supervisory Board members is determined by the Supervisory Board and is at least five. At Pursuant to the Company's articles of association, at least two Supervisory Board members must meet the criteria of being independent of the Company and entities with significant connections with the Company. An incomplete Supervisory Board remains its powers provided that at least three Supervisory Board members are in office.

A Supervisory Board member may not participate in deliberations or decision-making within the Supervisory Board, if with respect to the matter concerned he has direct or indirect personal interests that conflicts with the interests of the Company and the business connected with it.

Description of the basic features of the Company's internal control and risk management systems related to the process of preparing financial statements

The Company does not yet have a code of conduct, but intends to adopt a code of conduct in due course.

5.4 Application of Dutch Corporate Governance Code

5.4.1 *Applied Corporate Governance Code and deviations*

Since 1 January 2004, Dutch companies whose shares are listed on a government-recognized stock exchange, either in the Netherlands or elsewhere, are obliged to state each year in its annual report how it applied the principles and best practice provisions of the Dutch Corporate Governance Code in the past year and should, where applicable, carefully explain why a provision was not applied.

The Company fully endorses the underlying principles of the Dutch Corporate Governance Code which is reflected in a policy that complies with the best practice provisions as stated in the Dutch Corporate Governance Code.

The Company fully complies with the provisions of the Dutch Corporate Governance Code with the exception of the following:

Best practice provision II.1.3. The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system:

a) risk analyses of the operational and financial objectives of the company;

b) a code of conduct which should be published on the company's website;

c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and

d) a system of monitoring and reporting.

The Company does not yet have a code of conduct, but intends to adopt a code of conduct in due course.

Principle III.5. Composition and role of three key committees of the supervisory board. If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to appoint an audit committee, remuneration committee or selection and appointment committee, best practice provisions III.5.4, III.5.5, III.5.8, III.5.9, III.5.10, III.5.14, V.1.2, V.2.3, V.3.1, V.3.2 and V.3.3 shall apply to the entire supervisory board. In its report, the supervisory board shall report on how the duties of the committees have been carried out in the financial year.

Given the composition and size of the Supervisory Board, the Company does not feel it is appropriate to establish a selection and appointment committee at this time, and has not done so. In the future, the Supervisory Board will assess whether or not, and when, it would be appropriate to establish a selection and appointments committee.

Best practice provision III.2.1 All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.

The following two members of the Supervisory Board are not independent within the meaning of best practice provision III.2.2:

Mr Rongfu Wu is currently employed by the Group as an engineer and is therefore not independent. Mr Wu has been employed by the Group in that capacity since 2009 and is a specialist in the industry in which the Group conducts its business. The Company believes that his insight into the technical aspects of its business will provide valuable insight and assistance to the Supervisory Board.

Mr Ya Li is currently employed by the Group as deputy manager and strategic manager and is therefore not independent. Mr Ya Li has been employed by the Group in that capacity since 2008 and as such has significant experience and knowledge of the Group. Prior to his appointment by the Group, Mr Li worked as general manager of a financial consulting company. The Company believes that Mr Li's knowledge of the Group and its operations, including its investment plan, coupled with his previous experience and knowledge of the markets in which the Group operates, will be invaluable to the Supervisory Board in the conduct of its duties.

Best practice provision III.4.3. The vice-chairman of the supervisory board shall deputise for the chairman when the occasion arises. By way of addition to best practice provision III.1.7, the vice chairman shall act as contact for individual supervisory board members and management board members concerning the functioning of the chairman of the supervisory board.

Given the current composition of the Supervisory Board, which comprises five members, the Company does not consider that the appointment of a vice-chairperson of the Supervisory Board is necessary or appropriate at this time.

Best practice provision IV.3.1. Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone. After the meetings, the presentations shall be posted on the company's website.

The Company considers it excessively burdensome to provide facilities to allow shareholders to follow meetings with, and presentations to, analysts in real time. However, the Company will make any written materials and presentations available to shareholders by posting them on the Company's website.

Best practice provision V.3.1. The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.

In the Company's view, the audit committee will adequately fulfil the task of monitoring the Company's financial reporting, and as such does not consider it necessary to appoint an internal auditor at this time.

5.4.2 *Restrictions on the transfer of shares*

There are no restrictions on the transfer of shares in the capital of the Company. However in connection with initial public offering each of the Company and Mr Qiulin Xie, its principal shareholder, agreed that, without the written consent of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie (DM PKO BP) (which may be granted on a discretionary basis), they will not, nor will any of their affiliates over which they exercise control or voting power, or person acting on their behalf, during the 360 days period after the commencement of trading of the Company's shares on the WSE, i.e. after 9 October 2013, issue, pledge, offer, sell, transfer or otherwise dispose of, or publicly announce the proposed issuance, sale, offering or disposal of, any of the Company's shares or other equity securities or securities linked to the Company's share capital or take any actions aimed at or resulting in the issuance of any of the Company's shares, or enter into a derivative transaction that transfers the economic consequences of the ownership of the Company's shares or enter into transactions which may result in the issuance, offering, sale or disposal of securities linked with the Company's shares. In addition, the Company's minority shareholders: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited, have each undertaken the same lock-up commitment except that it will last for 180 days after the commencement of trading of the Company's shares on the WSE, i.e. after 9 October 2013, unless DM PKO BP, acting on a discretionary basis, grants a written consent releasing them from the lock-up commitment.

5.4.3 *Substantial holdings in the capital of the Company*

At the date of publication of this annual report following substantial shareholders possess over 3% of the shares in the capital of the Company: Mr Qiulin Xie, Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident) and Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident). Detailed information on major holdings is included in the point 3.9.2 above.

5.4.4 *Special control rights attached to shares and the name of the concerning shareholder*

There are no special control rights attached to shares in the capital of the Company.

5.4.5 *The control mechanism of the regulation which allocates rights to employees to take or receive shares in the capital of the Company or a subsidiary of the Company, in the event the control is not exercised by the employees.*

The Company has not granted shares or rights to shares to its employees.

5.4.6 *Restrictions of the voting right attached to the Company's shares*

There are no restrictions on voting right attached to shares in the capital of the Company. Each share confers the right to cast one vote.

5.4.7 *Agreements with shareholders which may give cause for restrictions of the transfer of shares*

There are no agreements between the Company and holders of shares in the capital of the Company which restrict the transfer of shares or of the voting rights on the shares, other than the agreements described in the section 5.4.2.

5.4.8 *The procedures for appointment and dismissal of Management Board members*

Pursuant to the Company's articles of associations Management Board members are appointed by the general meeting. The Supervisory Board will nominate one or more candidates for each vacant seat and, if no Management Board members are in office, it will do so as soon as reasonably possible.

A resolution of the general meeting of shareholders to appoint a Management Board member other than in accordance with a nomination by the Supervisory Board, requires an absolute majority of the votes cast representing at least one-third of the Company's issued capital. If a proposal to appoint a person not nominated by the Supervisory Board is supported by an absolute majority of the votes cast, but this majority does not represent at least one-third of the Company's issued capital, a new meeting can be convened in which the resolution can be adopted by an absolute majority of the votes cast, irrespective of the part of the Company's issued capital represented.

At a general meeting of shareholders, votes in respect of the appointment of a Management Board member can only be cast for candidates named in the agenda of the meeting or explanatory notes thereto. If none of the candidates nominated by the Supervisory Board is appointed, the Supervisory Board retains the right to make a new nomination at a next meeting. A nomination or recommendation to appoint a Management Board member will state the candidate's age and the positions he holds or has held, insofar as these are relevant for the performance of the duties of a Management Board member. The nomination or recommendation must state the reasons on which they are based.

A Management Board member will retire not later than the day on which the annual General Meeting of Shareholders is held in the fourth calendar year after the calendar year in which such member was last appointed. A Management Board member who retires in accordance with the previous provision is immediately eligible for reappointment.

Each Management Board member may be suspended or removed by the General Meeting at any time. A resolution of the General Meeting to suspend or remove a Management Board member other than pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast representing at least one-third of the Company's issued capital. If a resolution as referred to in the previous sentence is supported by an absolute majority of the votes cast, but this majority does not represent at least one-third of the Company's issued capital, a new meeting can be convened in which the resolution can be adopted by an absolute majority of the votes cast, irrespective of the part of the Company's issued capital represented. A Management Board member may also be suspended by the Supervisory Board. A suspension by the Supervisory Board may, at any time, be discontinued by the General Meeting. Any suspension may be extended one or more times, but may not last longer than three months in aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension will end.

5.4.9 *The procedures for appointment and dismissal of Supervisory Board members*

Supervisory Board members are appointed by the General Meeting.

A resolution of the general meeting of shareholders to appoint a Supervisory Board member other than in accordance with a nomination by the Supervisory Board requires a majority of the votes cast representing at least one-third of the Company's issued capital. If a proposal to appoint a person not nominated by the Supervisory Board is supported by an absolute majority of the votes cast, but this majority does not represent at least one-third of the Company's issued capital, a new meeting can be convened in which the resolution can be adopted by an absolute majority of the votes cast, irrespective of the part of the Company's issued capital represented.

At a general meeting of shareholders, votes in respect of the appointment of a Supervisory Board member can only be cast for candidates named in the agenda of the meeting or the explanatory notes thereto. If none of the candidates nominated by the Supervisory Board is appointed, the Supervisory Board retains the right to make a new nomination to be voted upon at a next meeting.

A nomination or recommendation to appoint a Supervisory Board member will state the candidate's age, his profession, the number of shares he holds in the capital of the Company and the positions he holds or has held, insofar as these are relevant for the performance of the duties of a Supervisory Board member. Furthermore, the names of the legal entities of which he is also a member of their Supervisory boards must be indicated; if those include legal entities which belong to the same group, a reference to that group will be sufficient. The nomination or recommendation must state the reasons on which it is based.

The Supervisory Board members will retire periodically in accordance with a rotation plan to be drawn up by the Supervisory Board. However, a Supervisory Board member will retire not later than the day on which the annual General Meeting of Shareholders is held in the fourth calendar year after the calendar year in which such member was last appointed. A Supervisory Board member who retires in accordance with the previous provision is immediately eligible for reappointment.

Each Supervisory Board member may be suspended or removed by the General Meeting at any time. A resolution of the General Meeting to suspend or remove a Supervisory Board member other than pursuant to a proposal by the Supervisory Board requires a majority representing at least one-third of the Company's issued capital. If a resolution as referred to in the previous sentence is supported by an absolute majority of the votes cast, but this majority does not represent at least one-third of the Company's issued capital, a new meeting can be convened in which the resolution can be adopted by an absolute majority of the votes cast, irrespective of the part of the Company's issued capital represented.

Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension ends.

5.4.10 *Amendment of the articles of association of the Company*

The General Meeting may only pass a resolution to amend the Company's articles of association on a proposal of the Management Board that has been approved by the Supervisory Board. Such resolution of the General Meeting requires a majority of at least eighty per cent (80%) of the votes cast in a meeting where at least fifty percent (50%) of the issued share capital is present or represented, with due observance of Article 38.3 of the Company's articles of association. Any such proposal of the Management Board must be stated in the notice of the General Meeting of Shareholders.

In the event of a proposal to the General Meeting of Shareholders to amend the Company's articles of association, a copy of such proposal containing the verbatim text of the proposed amendment will be deposited at the Company's office for inspection by the Company's shareholders and other persons holding rights to attend the meeting, until the end of the meeting. Furthermore, a copy of the proposal will be made available free of charge to shareholders of the Company and other persons entitled to attend the meeting from the day it was deposited until the day of the meeting.

5.4.11 *The powers of the Management Board, with particular reference to the issuance of the shares in the capital of the Company and the repurchase of shares in the capital of the Company.*

The Management Board is charged with the management of the Company, which means, among other things, that it is responsible for the setting and achieving of the Company's objectives, strategy and the associated risk profile, the ensuing delivery of results and corporate social responsibility issues that are relevant to the Company. The Management Board is accountable for these matters to the Supervisory Board and the general meeting of shareholders. The responsibility for the management of the Company is vested collectively in the Management Board.

The Management Board is responsible for compliance with all relevant laws and regulations, for managing the risks attached to the Company's activities and for financing the Company. The Management Board reports on these issues and discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee of the Supervisory Board.

When discharging its duties the Management Board shall act in accordance with the interests of the Company and the business connected with it, taking into consideration the interests of the Company's stakeholders.

The Management Board is itself responsible for the quality of its performance.

The members of the Management Board shall externally express concurring views with respect to important affairs, matters of principle and matters of general interest, with due observance of the responsibilities of its individual members.

The Management Board is, together with the Supervisory Board, responsible for the corporate governance structure of the Company and compliance with the Dutch Corporate Governance Code.

The Management Board shall ensure that employees have the possibility of reporting alleged irregularities in the Company of a general, operational and financial nature to the CEO or an official designated by him, without jeopardizing their legal position. Alleged irregularities concerning the functioning of Management Board members are reported to the Chairman of the Supervisory Board. The whistleblowers' policy is posted on the Company's website.

All transactions between the Company and individuals or legal entities who hold at least 10% of the shares in the Company must be agreed on terms that are customary for arm's-length transactions in the branch of business in which the Company and its Subsidiaries operate. Decisions to enter into transactions in which there are conflicts of interest with such persons that are of material significance to the Company and/or to such persons require the approval of the Supervisory Board. The Management Board shall perform its activities under the supervision of the Supervisory Board.

On 9 September 2013, the general meeting of shareholders has designated the Management Board as the body competent to issue a certain number of shares. It is intended that this designation is replaced by a new designation in the annual general meeting of shareholders in 2014. On 9 September 2013, the general meeting of shareholders has authorized the Management Board to acquire in its own capital up to 10% of the Company's issued capital as per the date of the first repurchase. It is intended that this authorization is replaced by a new authorization in the annual general meeting of shareholders in 2014.

5.4.12 *Significant contracts of the Company which contract will be effected, amended or terminated in the event of a public takeover bid, as well as the consequences of the contracts.*

There are no significant contracts of the Company which contract will be effected, amended or terminated in the event of a public takeover bid.

5.4.13 *Each agreement of the Company with a Management Board member or an employee which provides for benefit upon termination of his employment as a result of a public takeover bid.*

There are no agreements of the Company with a Management Board member or an employee which provides for benefit upon termination of his employment as a result of a public takeover bid.

5.4.14 *Parity of women and men in the governing bodies*

Pursuant to Dutch Civil Code the Company must strive for a mixed composition of the Management Board and the Supervisory Board in which at least 30% is male and 30% is female directors on the Management Board and the Supervisory Board. The Company does not meet these criteria at this moment since 25% of the Management Board is female and the entire Supervisory Board is male.

The reason why abovementioned principle is not met by the Company is the fact that the selection and appointment of members of Management and Supervisory Board of the Company is conducted on the basis of applications obtained from candidates. Candidates are selected for respective offices after a thorough analysis of the experience, competences, skills and professional background of each of them. The foregoing are some of the criteria (apart from the generally binding applicable provisions) considered during the recruitment to positions in the Management Board and the Supervisory Board. In the Company's opinion, the criteria of evaluation of candidates for offices in Management and Supervisory Board authorities permit the selection of candidates who guarantee creativity and innovativeness, as well as the expansion of operations of the Company.

For future appointments the criteria under the Supervisory Board profile and the Dutch Civil Code will be taken into account to the extent possible. The Company acknowledges the importance of parity of woman and men in its governing bodies and considers diversity important. However, criteria as experience, competence, skills and background are considered more important.

5.5 Management Statements

Compliance of Annual Financial Statements

Pursuant to Article 5:25c Paragraph 2 sub c of the Financial Supervision Act ('Wet op het Financieel Toezicht'), the Management Board of the PEIXIN'S International Group N.V. confirms to the best of its knowledge that:

- the Annual Financial Statements for the year ended 31 December 2013 give a true and fair view of the assets,
- liabilities, financial position and profits and loss of the Company and its subsidiaries,
- the additional management information disclosed in the Annual Report gives a true and fair view of the Company and its subsidiaries as at 31 December 2013 and the state affairs during the financial year to which the report relates, and
- the Annual Report describes the principal risk facing the Company. These are described in detail in this Director's Report.

Appointment of an Entity Qualified to Audit Annual Financial Statements

The Management Board of the PEIXIN'S International Group N.V. hereby states that BDO Audit & Assurance B.V., which performed the audit of the statutory financial statements of the Company for the year ended 31 December 2013, has been appointed in accordance with the applicable laws and that this entity and the accountants performing the audit met the conditions necessary to issue an impartial and independent report on the audit in accordance with the applicable provisions of law.

Management Board of the PEIXIN International Group N.V.

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

PEIXIN INTERNATIONAL GROUP N.V.

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2013

CONTENTS	**PAGES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended 31 December	
		2012	2013
		kEUR	kEUR
Revenue	8	46,509	59,407
Cost of sales	9	(29,619)	(37,085)
Gross profit		16,890	22,322
Other income	10	165	272
Distribution and selling expenses	11	(1,025)	(1,121)
Administrative expenses	12	(1,219)	(1,406)
Research and development expenses	13	(1,019)	(1,434)
Profit from operations		13,792	18,633
Other gains and losses	14	(54)	(7)
Finance income	15	36	116
Finance expenses	15	(247)	(215)
Profit before tax		13,527	18,527
Income tax expense	16	(2,158)	(2,755)
Profit for the year		11,369	15,772
Other comprehensive income			
Items that will not be reclassified to profit or loss			
-IPO costs		-	(607)
Items that will be reclassified to profit or loss			
-currency translation differences		(270)	(691)
Total comprehensive income for the year		11,099	14,474
Attributable to:			
Owners of the Company		11,099	14,474
Earnings per share - basic (EUR)	19	0.87	1.21

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (BEFORE PROFIT APPROPRIATION)

	NOTES	Year ended 31 December	
		2012	2013
		kEUR	kEUR
Non-current assets			
Property, plant and equipment	20	9,574	13,012
Prepaid lease payments	21	965	5,683
Investment properties	22	659	604
Other deferred assets	23	810	610
		12,008	19,909
Current assets			
Inventories	24	6,734	7,953
Trade and other receivables	26	4,429	10,204
Prepaid lease payments	21	22	22
Bank balances and cash	27	11,435	11,983
		22,620	30,162
Current liabilities			
Trade and other payables	28	2,210	3,159
Related parties payables	30	-	231
Advances from customers	29	3,582	3,653
Income tax payable		672	792
Bank borrowings	31	4,034	-
		10,498	7,835
Net current assets		12,122	22,327
Total assets less current liabilities		24,130	42,236
Non-current liability		-	-
Net asset		24,130	42,236
Capital and reserves			
Paid-in capital	32	41	13,000
Reserves	33	24,089	29,236
Total equity		24,130	42,236

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

kEUR	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Results for the year	Total
	Attributable to Owners of the Company						
	(Note 32)	(Note 33)	(Note 33)	(Note 33)	(Note 33)		
Balance at 1 January 2012	41	3,302	2,449	1,630	3,681	8,195	19,298
Result appropriation	-	-	-	-	8,195	(8,195)	-
Profit for the year	-	-	-	-	-	11,369	11,369
Other comprehensive income for the year	-	-	(270)	-	-	-	(270)
Payment of dividends	-	-	-	-	(6,267)	-	(6,267)
Balance at 31 December 2012[1]	41	3,302	2,179	1,630	5,609	11,369	24,130
Result appropriation	-	-	-	-	11,369	(11,369)	-
Profit for the year	-	-	-	-	-	15,772	15,772
Other comprehensive income for the year	-	(607)	(691)	-	-	-	(1,298)
Appropriation to statutory surplus reserve	-	-	-	1,007	(1,007)	-	-
Shares transferred from Peixin International BVI to PEIXIN International Group N.V.	(41)	41	-	-	-	-	-
Capital injection	45	-	-	-	-	-	45
Share capital injected by contribution of shares	11,955	16,976	-	-	(28,931)	-	-
Share capital injected by IPO	1,000	2,587	-	-	-	-	3,587
Balance at 31 December 2013	13,000	22,299	1,488	2,637	(12,960)	15,772	42,236

[1] Due to the fact that PEIXIN International Group N.V. was incorporated on 2 July 2013, there is no historical financial information relating directly to the Company for the year ended 31 December 2012. However, on 14th August 2013 all shares in Peixin International BVI were contributed to PEIXIN International Group N.V. in exchange for newly issued shares in the share capital of the Company as a part of the Group restructuring in connection with the public offering. The Company is a sole shareholder of Peixin International BVI. In connection with the acquisition of shares in Peixin International BVI by the Company comparable balance sheet data of the Company for the year ended 31 December 2012 for better illustration have been presented with respect to historical statements of Peixin International BVI. As of the 31 December 2012 share capital of Peixin International BVI amounted 41 kEUR

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
OPERATING ACTIVITIES		
Profit before tax	13,527	18,527
Adjustments for:		
Finance cost	247	215
Interest income	(35)	(117)
Depreciation of property, plant and equipment	961	1,323
Amortization of prepaid lease payments	23	22
Amortization of investment properties	48	48
Amortization of other deferred assets	196	195
Losses on disposal of property, plant and equipment	-	9
Operating cash flows before movements in working capital	14,967	20,222
Decrease/ (Increase) in inventories	310	(1,219)
(Increase) in trade and other receivables	(1,268)	(5,775)
Decrease in related parties receivables	480	-
(Decrease)/ Increase in trade and other payables	(384)	949
Increase in related parties payables	-	231
Increase in advances from customers	2,486	71
Cash generated from operations	16,591	14,479
Income taxes paid	(1,991)	(2,616)
NET CASH FROM OPERATING ACTIVITIES	14,600	11,863
INVESTING ACTIVITIES		
Interest received	35	117
Purchase of property, plant and equipment	(1,184)	(4,963)
Purchase of land use right	-	(4,855)
NET CASH USED IN INVESTING ACTIVITIES	(1,149)	(9,701)
FINANCING ACTIVITIES		
Interest paid	(247)	(215)
Dividends paid	(6,267)	-
New bank loans raised	4,094	-
Proceeds from issue of share capital	-	3,580
Payments of IPO issuing expenses	-	(607)
Repayment of borrowings	(3,484)	(4,072)
NET CASH USED IN FINANCING ACTIVITIES	(5,904)	(1,314)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	7,547	848
Add: Exchange difference	(126)	(300)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,014	11,435
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	11,435	11,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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") and Quanzhou Peixin Machine Manufacture Industrial Co., Ltd. ("Quanzhou Peixin"), in the People's Republic of China ("PRC"). The address of the principal place of Fujian Peixin and Quanzhou Peixin is disclosed in Note 2.

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

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

As at 31 December 2013, the Group comprised of the parent company PEIXIN International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and three subsidiaries: Peixin International Group Ltd. (Peixin International BVI), Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd.

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

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

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

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

As at 31 December 2013 and the date of approval of the consolidated financial statements, PEIXIN International Group N.V. had the following wholly-owned subsidiaries:

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

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

(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.

As of 9th October 2013 (date of IPO) the Company's shareholding structure was as follows:

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

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

Except as described below, for the year ended 31 December 2013 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 year.

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

IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement
IAS 19 (Revised 2011)	Employee Benefits

Annual Improvements 2009-2011 cycle

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

At the date these consolidated financial statements are authorized for issuance, the IASB has issued the following new and revised International Accounting Standards ("IASs"), IFRSs, amendments and IFRICs which are not yet effective in respect of the 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:

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

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 periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the European Union. Amounts are rounded to the nearest thousand, unless otherwise stated. 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) into the presentation currency of the Company. 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 the Company.

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

Foreign currencies

Functional and presentation currency

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

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

The shareholders of the Company made use of a Dutch stock listed company which 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:

	Years end rates	Average rates
31 December 2012	EUR 1.00=RMB 8.3176	EUR 1.00=RMB 8.1948
31 December 2013	EUR 1.00=RMB 8.4189	EUR 1.00=RMB 8.2396

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 capital, share premium and dividends are translated at historical exchange rates; and

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

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

Segment reporting

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

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

Revenue recognition

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

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

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

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

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

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.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to income are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES-continued

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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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.

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Taxation-continued

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.

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 recognised 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 analysed 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 recognised 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 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

Effective interest method-continued

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables, related parties receivables, 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 receivables below).

Impairments of receivables

Receivables are assessed for indicators of impairment at the end of the reporting period. 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 receivables, the estimated future cash flows of the 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 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

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 Company. 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 of subsidiaries are included in the currency translation reserve.

In accordance with the relevant laws and regulations of PRC, the subsidiaries of the Company 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.

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

Allowance for Bad and doubtful debts

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

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recognized, such differences will impact the income tax and differed tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2012 and 31 December 2013 amounted to kEUR 672 and kEUR 792 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

	Year ended 31 December			
Revenue:	2012		2013	
	Unit	kEUR	Unit	kEUR
External customers				
Sanitary napkins machines	64	19,537	81	27,916
Diaper machines	35	16,219	49	21,627
Facial tissue machines	396	7,130	459	7,420
Other paper machines	67	3,623	85	2,444
	562	46,509	674	59,407

	Year ended 31 December	
Results:	2012	2013
	kEUR	kEUR
Segment gross profit		
Sanitary napkins machines	7,161	10,589
Diaper machines	5,923	8,333
Facial tissue machines	2,468	2,629
Other paper machines	1,338	771
	16,890	22,322

	Year ended 31 December			
	2012		2013	
	Unit	kEUR	Unit	kEUR
Revenue:				
Direct sales				
-Mainland China	328	24,818	428	37,247
-Outside Mainland China	51	2,203	46	5,050
Sales to trading companies	183	19,488	200	17,110
	562	46,509	674	59,407

7. SEGMENT REPORTING - continued

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Current assets		
-Sanitary napkins machines	2,541	6,920
-Diaper machines	3,851	4,880
-Facial tissue machines	933	1,097
-Other paper machines	81	337
-Unallocated current assets	15,214	16,928
	22,620	30,162

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Non-current assets		
-Sanitary napkins machines	-	-
-Diaper machines	-	-
-Facial tissue machines	-	-
-Other paper machines	-	-
-Unallocated non-current assets[1]	12,008	19,909
	12,008	19,909

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

8. REVENUE

Revenue represents revenue arising on sales of goods.

Revenue is denominated in the following currencies:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Renminbi ("RMB")	44,306	54,357
United States Dollars ("USD")	2,203	5,050
	46,509	59,407

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:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Changes in inventories of finished goods and work in progress	948	(1,122)
Glue machines and motors	8,312	11,875
Steel	5,081	5,303
Electric controllers	3,771	5,816
Knife roller\cylinder	950	1,196
Other components	4,440	5,765
Auxiliary materials	1,163	1,324
Materials consumed in production	23,717	31,279
Labor	2,470	3,351
Depreciation and amortization	779	1,165
Outsourced manufacturing cost	884	1,307
Taxes and surcharges *	470	547
Water and electricity	347	495
Others	75	131
Foreign currency translation difference	(71)	(68)
	29,619	37,085

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

10. OTHER INCOME

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Government grant	85	7
Rental income	21	36
Sales of spare parts	59	229
	165	272

11. DISTRIBUTION AND SELLING EXPENSES

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Staff costs	461	530
Marketing and advertising costs	301	257
Post-sales services costs	101	164
Travelling costs	99	60
Depreciation	-	6
Others	63	104
	1,025	1,121

12. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Staff costs	326	399
Depreciation and amortization charges	401	362
Entertainment and office expenses	210	242
Miscellaneous taxes	186	171
Travelling and transportation expenses	60	166
Professional service fee	6	-
Others	30	66
	1,219	1,406

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise following expenses:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Materials	482	849
Staff costs	453	448
External advisors	73	131
Depreciation charges	11	6
	1,019	1,434

14. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Losses on disposals of property, plant and equipment	-	(7)
Bad debtor loss	(54)	-
	(54)	(7)

15. FINANCE INCOME AND EXPENSES

Financial income	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Interest income	35	117
Foreign exchange gain, net	1	(1)
	36	116

Financial expenses	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Interest expenses on bank borrowings wholly repayable within one year	247	215

15. FINANCE INCOME AND EXPENSES - continued

Bank borrowings interests are charged on interest rates of 6.000% to 6.560% during the year ended 31 December 2013. (2012: 6.000% to 6.560%)

Bank loans	Amount kEUR	Period		Interest rate	Interest
#1	594	2012/07/09	2013/07/09	6.56%	22
#2	172	2012/11/05	2013/11/05	6.00%	10
#3	1,829	2012/11/21	2013/11/21	6.00%	103
#4	637	2012/11/27	2013/11/27	6.00%	37
#5	753	2012/12/05	2013/12/05	6.00%	43
					215

The detailed information of the bank loans (#1 - #5) is set out in Note 31.

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Current tax:		
PRC enterprise income tax	2,158	2,755

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

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

The applicable enterprise income tax rate of Quanzhou Peixin is 25%. At 31 December 2012 and 2013, Quanzhou Peixin has no recognized tax losses and no income tax was charged for the years ended 31 December 2012 and 2013. Quanzhou Peixin has for an amount of kEUR 443 (31 December 2012: kEUR 253) of cumulative available tax losses for which no deferred tax asset has been recognized.

16. INCOME TAX EXPENSE - continued

The tax charge for the year can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Profit before tax	13,527	18,527
Tax calculated at Dutch tax rates applicable to profits in PRC (2012 and 2013: 25%)[1]	3,382	4,632
Tax effect of expenses not deductible for tax purpose	66	30
Tax effect of additional expenses deductible for tax purpose	-	(180)
Tax effect of tax loss of Quanzhou Peixin and the Company for which no deferred income tax asset was recognized	104	190
Effect of lower tax rate in Fujian Peixin	(1,394)	(1,917)
Tax charge for the year	2,158	2,755

[1]the tax rate of 2012 is the tax rate of PRC (as the Dutch NV was incorporated on 2 July 2013).

Tax on each component of other comprehensive income is as follows:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
-IPO costs	-	(152)
-currency translation differences	(68)	(173)
	(68)	(325)

17. EMPLOYEES' EMOLUMENTS

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Salaries and other short-term benefits	3,584	4,596
Defined contribution benefit schemes	126	132
Total employee benefits expense (including directors' emoluments)	3,710	4,728

The employees of the Company'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.

Average number of employees

During the financial year the average number of employees was 457 (2012: 463)

The average number of employees specified by function:

	Year ended 31 December	
	2012	2013
Manufacturing department	384	375
Sales department	24	23
Administrative department	32	36
R&D department	23	23
	463	457

18. KEY MANAGEMENT EMOLUMENTS

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

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Directors' emoluments		
- Salaries		
Xie Qiulin	76	76
Xie Kaida	21	22
Dai Hongyan	11	48
Xue Bas	-	-
	108	146

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Supervisory board' emoluments		
- Salaries		
Li Ya	-	*
Shen Ming	-	*
Liem Tsong LucienTjon	-	*
Jarosław Dariusz Dąbrowski	-	5
Wu Rongfu	16	32
	16	40

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
- Social Welfare		
Xie Qiulin	1	1
Xie Kaida	1	1
Dai Hongyan	*	1
Wu Rongfu	1	1
	3	4

** Amount less than EUR 1,000.*

19. EARNINGS PER SHARE

	Year ended 31 December	
	2012	2013
	EUR	EUR
Basic earnings per share		
From continuing operations	0.87	1.21
Total basic earnings per share	0.87	1.21

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

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	11,369	15,772

	Year ended 31 December	
	2012	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	13,000,000	13,000,000

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

20. PROPERTY, PLANT AND EQUIPMENT

kEUR COST	Plant & buildings	Machinery & equipment	Electronic equipment	Office equipment	Motor vehicles	Prepayments for machineries	Total
At 1 January 2012	6,450	4,893	270	573	375	-	12,561
Additions	1,055	120	4	5	-	-	1,184
Translation adjustment	(136)	(93)	(5)	(12)	(7)	-	(253)
At 31 December 2012	7,369	4,920	269	566	368	-	13,492
Additions	-	1,548	-	-	-	3,415	4,963
Disposals	-	(178)	-	-	-	-	(178)
Translation adjustment	(89)	(88)	(3)	(7)	(5)	(73)	(265)
At 31 December 2013	7,280	6,202	266	559	363	3,342	18,012
DEPRECIATION							
At 1 January 2012	(1,159)	(1,267)	(141)	(331)	(130)	-	(3,028)
Provided for the year	(340)	(457)	(43)	(86)	(35)	-	(961)
Translation adjustment	27	30	3	9	2	-	71
At 31 December 2012	(1,472)	(1,694)	(181)	(408)	(163)	-	(3,918)
Provided for the year	(736)	(456)	(39)	(57)	(35)	-	(1,323)
Eliminated on disposals of assets	-	169	-	-	-	-	169
Translation adjustment	32	27	3	6	4	-	72
At 31 December 2013	(2,176)	(1,954)	(217)	(459)	(194)	-	(5,000)
CARRYING AMOUNT							
At 1 January 2013	5,897	3,226	88	158	205	-	9,574
At 31 December 2013	5,104	4,248	49	100	169	3,342	13,012

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:

Plant & buildings	5%
Machinery & equipment	10%
Electronic equipment	20%
Motor vehicles	10%

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

Buildings on leasehold land comprise:

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

The Group has no pledged buildings as at 31 December 2013 to secure general banking facilities since the loans have been paid off.

The Group has pledged buildings having a carrying amount of kEUR 4,794 as at 31 December 2012 to secure general banking facilities granted to the Group.

The gross carrying amount of the fully depreciated property, plant and equipment that is still in use is kEUR 21 as at 31 December 2013 (31 December 2012: kEUR 24).

21. PREPAID LEASE PAYMENTS

	Land use right	Prepayments	Total
		kEUR	kEUR
Cost			
At 1 January 2012	1,134	-	1,134
translation adjustment	(21)	-	(21)
At 31 December 2012	1,113	-	1,113
additions	-	4,855	4,855
translation adjustment	(13)	(103)	(116)
At 31 December 2013	1,100	4,752	5,852

21. PREPAID LEASE PAYMENTS-continued

AMORTIZATION

At 1 January 2012	(105)	-	(105)
charge for the year	(23)	-	(23)
translation adjustment	2	-	2
At 31 December 2012	(126)	-	(126)
charge for the year	(22)	-	(22)
translation adjustment	1	-	1
At 31 December 2013	(147)	-	(147)
CARRYING AMOUNTS			
At 1 January 2013	987	-	987
At 31 December 2013	953	4,752	5,705

Analyzed for reporting purposes as:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Non-current asset	965	5,683
Current asset	22	22
	987	5,705

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 below were owned by Quanzhou Peixin.

The prepayments of land use right has not come into use, so it was not yet amortized.

The Group has no pledged leasehold as at 31 December 2013 to secure general banking facilities since the loans have been paid off.

The Group has pledged leasehold having a carrying amount of kEUR 987 as at 31 December 2012 to secure general banking facilities granted to the Group.

The leasehold land comprises:

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

22. INVESTMENT PROPERTIES

	Amount kEUR
Cost	
At 1 January 2012	1,016
translation adjustment	(19)
At 31 December 2012	997
translation adjustment	(12)
At 31 December 2013	985
DEPRECIATION	
At 1 January 2012	(296)
charge for the year	(48)
translation adjustment	6
At 31 December 2012	(338)
charge for the year	(48)
translation adjustment	5
At 31 December 2013	(381)
CARRYING AMOUNTS	
At 1 January 2013	659
At 31 December 2013	604

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

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

Location	Description	Gross area (m^2)
Fuqiao Houkeng Village, Licheng District, Quanzhou City, Fujian Province, the PRC	Leased out	3,202
Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Leased out	4,045

The Group has no pledged investment property as at 31 December 2013 to secure general banking facilities since the loans have been paid off.

The Group has pledged investment property having a carrying amount of kEUR 26 as at 31 December 2012 to secure general banking facilities granted to the Group.

23. OTHER DEFERRED ASSETS

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

	Amount
	kEUR
Cost	
At 1 January 2012	1,262
translation adjustment	(23)
At 31 December 2012	1,239
translation adjustment	(15)
At 31 December 2013	1,224
DEPRECIATION	
At 1 January 2012	(240)
charge for the year	(196)
translation adjustment	7
At 31 December 2012	(429)
charge for the year	(195)
translation adjustment	10
At 31 December 2013	(614)
CARRYING AMOUNTS	
At 1 January 2013	810
At 31 December 2013	610

24. INVENTORIES

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Raw materials and consumables	3,171	3,269
Work in progress	1,028	4,043
Finished goods	2,535	641
	6,734	7,953

25. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Current		
Trade and other receivables (Note 26)	3,886	9,692
Bank balances and cash (Note 27)	11,435	11,983
	15,321	21,675

Financial liabilities measured at amortized cost

	Year ended 31 December

25. FINANCIAL ASSETS AND LIABILITIES - continued

	2012	2013
	kEUR	kEUR
Current		
Trade and other payables (Note 28)	1,771	2,949
Advances from customers (Note 29)	3,582	3,653
Related parties payables (Note 30)	-	231
Bank borrowings (Note 31)	4,034	-
	9,387	6,833

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

A description of the Group's financial risk management objectives and policies for the financial instruments is given in Note 35.

26. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Trade receivables	3,841	8,549
Other receivables	45	1,143
Subtotal	3,886	9,692
Prepayments	543	512
	4,429	10,204

Trade and other receivables are denominated in the following currencies:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Renminbi ("RMB")	4,325	8,184
United States Dollars ("USD")	104	1,968
Euros ("EUR")	-	52
	4,429	10,204

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.

26. 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:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Current	3,718	8,549

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:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Past due for less than 3 months	51	-
Past due for over 3 months but less than 9 months	72	-
	123	-
	3,841	8,549

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

27. BANK BALANCES AND CASH

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Cash on hand	39	37
Bank balances	11,396	11,946
	11,435	11,983

Bank balances and cash are denominated in the following currencies:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Renminbi (“RMB”)	11,391	10,290
United States Dollars (“USD”)	44	52
Hong Kong Dollars (“HKD”)	*	*
Euros (“EUR”)	-	1,619
Zlotys (“PLN”)	-	22
	11,435	11,983

** Amount less than EUR 1,000.*

27. BANK BALANCES AND CASH - continued

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. Bank balances as at 31 December 2013 carry interest at market rates of 0.35%-0.5% (2012: 0.35%-0.50%) per annum.

28. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Trade payables	1,253	2,248
Other payables	2	9
Salary payables	516	692
Subtotal	1,771	2,949
Tax payables other than income tax	439	210
	2,210	3,159

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:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Current	1,253	2,248

29. ADVANCES FROM CUSTOMERS

Advances from customers comprise down payments received for trade sales and are denominated in the following currencies:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Renminbi (“RMB”)	1,998	364
United States Dollars (“USD”)	1,584	3,289
	3,582	3,653

29. ADVANCES FROM CUSTOMERS - continued

The aging analysis of advances from customers is as follows:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Less than 3 months	2,931	820
Over 3 months but less than 1 year	651	2,227
Over 1 year but less than 1 and a half years	-	606
	3,582	3,653

30. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Group
Xie Qiulin	Director of the Group

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

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Xiu Qiulin	-	231
	-	231

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

31. BANK BORROWINGS

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Secured bank borrowings	4,034	-
Carrying amount repayable within 1 year	4,034	-

31. BANK BORROWINGS - continued

The borrowings are fixed-rate and denominated in RMB.

2012-12-31

Bank loans	Amount kEUR	Period		Interest rate	Mortgage	Personal guarantee
#1	601	2012-07-09	2013-07-09	6.56%	Land use right and buildings	N/A
#2	174	2012-11-05	2013-11-05	6.00%	Land use right and buildings	Xie Qiulin
#3	1,851	2012-11-21	2013-11-21	6.00%	Land use right and buildings	Xie Qiulin
#4	646	2012-11-27	2013-11-27	6.00%	Land use right and buildings	Xie Qiulin
#5	762	2012-12-05	2013-12-05	6.00%	Land use right and buildings	Xie Qiulin
	4,034					

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

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Land use right	987	-
Buildings	4,820	-
	5,807	-

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

A personal guarantee was provided by director of the Company, Xie Qiulin for kEUR 3,432 among the balances at 31 December 2012.

32. SHARE / PAID-IN CAPITAL

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

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Share/paid-in capital	41	13,000

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

	Numbers of shares	Share capital EUR
Authorized and issued and fully paid Ordinary shares of EUR 1.00 each on the date of incorporation, and at 31 December 2013	13,000,000	13,000,000

33. RESERVES

Share premium

Share premium is the amount subscribed for share capital in excess of nominal value.

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 Company amounts to kEUR 2,637 at 31 December 2013 (31 December 2012: kEUR 1,630). The statutory surplus reserve of the Company 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 Company from their functional currency to the Group's presentation currency.

34. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern;
- To support the Group's stability and growth;
- To provide capital for the purpose of strengthening the Group's risk management capability; and
- To provide an adequate return to shareholders.

The Group actively and regularly reviews and manage capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group monitor capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position.

34. CAPITAL MANAGEMENT - continued

There were no changes in the Group's approach to capital management for the financial year ended 31 December 2013. The Group's strategy is to maintain gearing ratios within 25%.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings plus trade and other payables, advances from customers, related parties payables less cash and cash equivalents.

Total capital is calculated as equity plus net debt.

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Net debt	(1,609)	(4,940)
Total equity	24,130	42,236
Total capital	22,521	37,296
Gearing ratio	7%	13%

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk

The board of directors meets periodically to analyze and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding risk management. The Group does not engage in the trading of financial assets for speculative purposes or write options. The most significant financial risks to which the Group is exposed are described below.

As at 31 December 2012 and 2013, the Company's financial instruments mainly consisted of cash and bank balances, receivables and payables. The Company's financial assets and liabilities by category are summarized as below:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Financial assets		
Receivables		
(Including bank balances and cash)	15,321	21,675

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Financial liabilities		
Amortized cost	9,387	6,833

35. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

The Group is exposed to various risks in relation to their financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group is exposed to market risk through use of financial instruments and specifically to foreign currency risk and interest rate risk, which result from their operating, investing and financing activities.

Foreign currency sensitivity

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

The Group incurs foreign currency risk on expenses and transactions denominated in currencies of USD. In addition, the Group prepares financial statements in EUR and therefore their results and net asset position are exposed to retranslation risk as a result of fluctuation in the EUR exchange rate. A 5% strengthening of the RMB against the EUR as at 31 December 2013 would have had an impact of kEUR 4,000 on the net equity of the Company.

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

2012-12-31

	RMB	USD
	kEUR	kEUR
Financial assets		
Trade and other receivables (Note 26)	3,886	-
Bank balances and cash	11,391	44
	15,277	44

	RMB	USD
	kEUR	kEUR
Financial liabilities		
Trade and other payables (Note 28)	1,771	-
Advances from customers	1,998	1,584
Bank borrowings	4,034	-
	7,803	1,584

35. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

2013-12-31

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

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

A 5% strengthening of the RMB/ USD/ PLN against the EUR as at 31 December 2012 and 31 December 2013 would have had the following impact on the net profit after taxation and equity by the amounts shown below:

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
RMB	318	623
USD	(65)	(54)
PLN	-	1

A 5% weakening of the RMB/ USD/ PLN against the above currency as at 31 December 2012 and 31 December 2013 would have the equal but opposite effect on the currency of the amounts shown above.

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

Interest Rate Sensitivity

The Group's has no exposure to interest rate risk since all the bank borrowings from financial institutions have been paid.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk analysis

Credit risk is the risk of financial loss to the Group if counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily from trade receivables.

The Group's exposure to credit risks is restricted by credit limits that are approved by the director. The Group typically allows the existing customer credit terms of up to 60 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the director.

Concentration risk arises from the sales to the Group's customers. The Group's policy is to monitor the business development of the customers and to continuously source for suitable customers who are able to promote the brand and expand the existing distribution network.

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from trade receivables are 46% for the financial year ended 31 December 2013 comprising 5 customers. (2012: 59%)

The Group's major classes of financial assets are trade and other receivables, related parties receivables and cash and bank balances. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting dates, as summarized below.

The Group considers 60 to 90 days to be normal collection period for trade receivables.

No impairment loss needed to be recognized in the profit or loss in respect of financial assets during the reporting period.

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Financial assets		
Trade and other receivables (Note 26)	3,886	9,692
Related parties receivables	-	-
Pledged bank deposits	-	-
Bank balances and cash	11,435	11,983
	15,321	21,675

Liquidity risk analysis

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate to finance operations and mitigate the effects of fluctuations in cash flows. The Group monitors the utilization of bank borrowings and ensures compliance with loan covenants. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year	Total
	kEUR	kEUR
2012-12-31		
Trade and other payables (Note 28)	1,771	1,771
Advances from customers	3,582	3,582
Bank borrowings	4,034	4,034
	9,387	9,387

	Less than 1 year	Total
	kEUR	kEUR
2013-12-31		
Trade and other payables (Note 28)	2,949	2,949
Advances from customers	3,653	3,653
Related parties payables	231	231
	6,833	6,833

The Group manages liquidity risk by ensuring the availability of adequate funds to meet all obligations in a timely and cost-effective manner.

36. RELATED PARTY TRANSACTIONS

Compensation to the key management of the Company

	Year ended 31 December	
	2012	2013
	kEUR	kEUR
Xie Qiulin		
-Short-term employee benefits	76	76
-Social welfare	1	1
	77	77
Xie Kaida		
-Short-term employee benefits	21	22
-Social welfare	1	1
	22	23
Dai Hongyan		
-Short-term employee benefits	11	48
-Social welfare	*	1
	12	49
Li Ya		
-Short-term employee benefits	-	*
-Social welfare	-	-
	-	*
Shen Ming		
-Short-term employee benefits	-	*
-Social welfare	-	-
	-	*
Liem Tsong Lucien Tjon		
-Short-term employee benefits	-	*
-Social welfare	-	-
	-	*
Jarosław Dariusz Dąbrowski		
-Short-term employee benefits	-	5
-Social welfare	-	-
	-	5

36. RELATED PARTY TRANSACTIONS - continued

Wu Rongfu		
-Short-term employee benefits	16	32
-Social welfare	1	1
	17	33

**Amount less than EUR 1,000.*

No personal undertaking loans guaranteed by director of the Company as at 31 December 2013.

37. CONTINGENCIES

As at 31 December 2013, the Group had no contingencies that needed to be disclosed.

38. COMMITMENTS

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

	Year ended 31 December	
	2014	2015
	kEUR	kEUR
Contracted and authorized	5,969	-

THE COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	From 2 July 2013 to 31 December 2013
	kEUR
Shares in result of participating interest after taxation	7,035
Other income/(expenses) after taxation	(98)
Net Profit After Tax	6,937

THE COMPANY STATEMENTS OF FINANCIAL POSITION (BEFORE PROFIT APPROPRIATION)

	NOTES	As at 2 July 2013	As at 31 December 2013
		kEUR	kEUR
Non-current assets			
Long-term investment	3	-	39,309
		-	39,309
Current assets			
Related parties receivables	4	-	3,301
Bank balances and cash		45	44
		45	3,345
Current liabilities			
Related parties payables	5	-	418
		-	418
Net current assets		45	2,927
Total assets less current liabilities		45	42,236
Net asset		45	42,236
Capital and reserves			
Paid-in capital		45	13,000
Share premium		-	22,299
Foreign currency translation reserve		-	1,488
Legal reserve		-	2,637
Retained earnings		-	(4,125)
Profit for the year		-	6,937
Total equity		45	42,236

THE COMPANY STATEMENTS OF CHANGES IN EQUITY

	PEIXIN International Group N.V.						
kEUR	Share capital (Note 32)	Share premium (Note 33)	Foreign currency translation reserve (Note 33)	Legal reserve (Note 33)	Retained profits	Profit for the year	Total
Balance at 2 July 2013	45	-	-	-	-	-	45
Contribution of shares	11,955	20,319	1,488	1,630	(3,118)	-	32,274
Profit for the year	-	-	-	-	-	6,937	6,937
Appropriation to statutory surplus reserve	-	-	-	1,007	(1,007)	-	-
Share capital injected by IPO	1,000	1,980	-	-	-	-	2,980
Balance at 31 December 2013	13,000	22,299	1,488	2,637	(4,125)	6,937	42,236

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICY

The Company financial statements of PEIXIN International Group N.V., which form part of the financial statements for 2013 of the Company, have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code. Pursuant to Section 362(8) of this Code, the same accounting policies were used as in the consolidated financial statements. In preparing the separate statement of income, the Company has availed itself of the exemption provided by Section 402 of the Code.

Assets and liabilities are measured, foreign currencies translated and profit determined in accordance with the same accounting policies of the consolidated financial statements as described earlier in this report.

In the Company financial statements, subsidiaries over which the Company has significant influence are recognised using the equity method of accounting. If the share of losses of PEIXIN International Group N.V. exceeds the value of the ownership interest in an associate, the bookvalue of the associate is reduced to nil in the statement of financial position and further losses are no longer recognised except to the extent that PEIXIN International Group N.V has legally enforceable or constructive obligation.

2. ADMINISTRATIVE EXPENSES

The audit and other accounting fees of the audit firm providing the audit opinion of the annual accounts are specified as follows:

	Period ended 31 December 2013
	kEUR
Audit annual account	32
Other audit assignments	80
	112

Number of employees

During the period ending 31 December 2013, the Company did not have any employees.

3. LONG-TERM INVESTMENT

	Period ended 31 December 2013
	kEUR
Balance as at 2 July	-
Contribution of shares	32,274
Result of the Group companies	7,035
Balance as at 31 December	39,309

Investments in the Group companies are as follows:

	Share of issued Share capital in %	Shareholders' equity in accordance with the last financial statements	Result in accordance with the last financial statements
	%	kEUR	kEUR
Peixin International BVI	100%	39,309	7,035

4. RELATED PARTIES RECEIVABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Company
Peixin International BVI	The subsidiary of the Company

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

	As at 2 July 2013	As at 31 December 2013
	kEUR	kEUR
Peixin International BVI	-	3,301
	-	3,301

The amount due from Peixin International BVI was unsecured, non-interest bearing and receivable on demand.

5. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Company
Fujian Peixin	The subsidiary of the Company
Xiu Qiulin	The director of the Company

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

	As at 2 July 2013	As at 31 December 2013
	kEUR	kEUR
Fujian Peixin	-	187
Xie Qiulin	-	231
	-	418

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

The consolidated financial statements and the Company financial statements on page 62 to 112 were approved and authorized for issue by the Board of Directors on March 6, 2014 and are signed on its behalf by:

Xie Qiulin
DIRECTOR

Dai Hongyan
DIRECTOR

Xie Kaida
DIRECTOR

Bas Xue
DIRECTOR

Li Ya
MEMBER OF THE SUPERVISORY BOARD

Shen Ming
MEMBER OF THE SUPERVISORY BOARD

Liem Tsong Lucien Tjon
MEMBER OF THE SUPERVISORY BOARD

Jarosław Dariusz Dąbrowski
MEMBER OF THE SUPERVISORY BOARD

Wu Rongfu
MEMBER OF THE SUPERVISORY BOARD

OTHER INFORMATION

Statutory rules concerning appropriation of result

Article 23

1. The authority to decide over the allocation of profits determined by the adoption of the annual accounts and to make distributions is vested in the General Meeting, with due observance of the limitations prescribed by law.

2. Distributions may be made only up to an account which does not exceed the amount of the Distributable Equity and, if it concerns an interim distribution, the compliance with this requirement is evidenced by an interim statement of assets and liabilities as referred to in Section 2:105, subsection 4, of the Dutch Civil Code. The Company must deposit the statement of assets and liabilities at the office of the Commercial Register within eight days after the day on which the resolution to make the distribution is published.

3. The authority of the General Meeting to make distributions applies to both distributions at the expense of non-appropriated profits and distributions at the expense of any reserves, and to both distributions on the occasion of the adoption of the annual accounts and interim distributions.

4. A resolution to make a distribution will not be effective until approved by the Management Board. The Management Board may only refuse to grant such approval if it knows or reasonably should foresee that after the distribution the Company would not be able to continue to pay its debts as they fall due.

Proposed appropriation of the result

The result of KEUR 6,937 of this financial year 2013 is shown as ‘Unappropriated result’ until the shareholders of the Company approves the 2013 financial statements.

At the general shareholders’ meeting the financial statements will be approved and a proposal will be put forth to add the 2013 net result after taxes to ’Other Retained Earnings’.

Subsequent events

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.

Independent auditor's report

To: the General Meeting of Peixin International Group N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of Peixin International Group N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Peixin International Group N.V. as at 31 December 2013 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Peixin International Group N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amstelveen, 10 March 2014

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

sgd.

J.A. de Rooij RA