Consolidated Financial Report of PEIXIN International Group N.V.

for the period of three months ended 30 September 2015

3Q 2015

Contents

1. General information about the Group

1.1 The Group structure

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

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

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

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

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

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

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

Pictures above present insight into assembling workshop in Fujian

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

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

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

1.2 Changes in the composition of the Group

During 3Q 2015 composition of the Peixin Group didn't change.

1.3 Business and products description

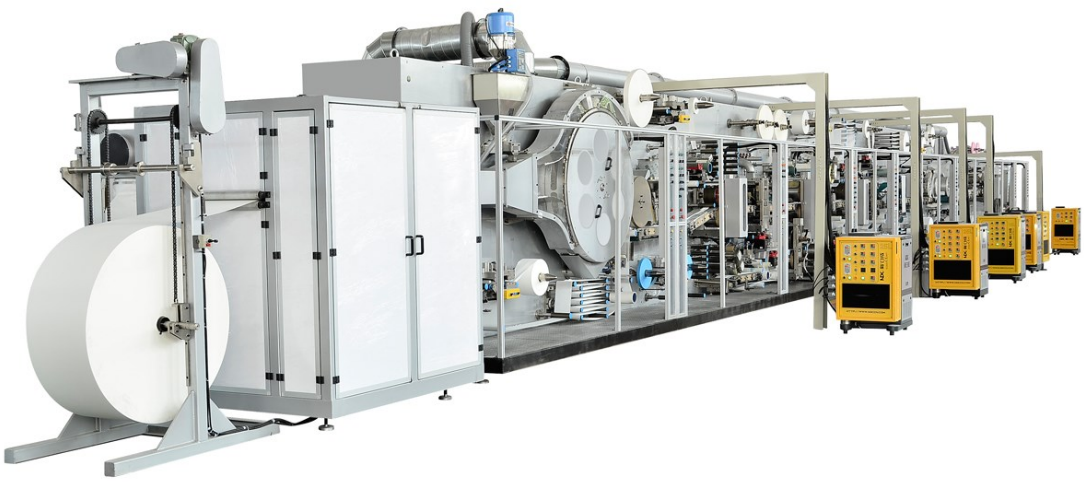
The Group designs, produces and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. Depending on the type and functionalities of machines, they can be divided for semi-automatic, fully-automatic, semi-servo or full-servo machines.

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

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

Diaper machines segment:

Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line



Full-servo control full-function baby diaper line

Full-servo Control Pull-up Panty Production Line

Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line

Sanitary napkin machines segment:

Automatic Folding Napkin Paper Machine

Semi-automatic Sanitary Napkin Production Line

Tissue machine segment:

Semi-servo Pets Pad Line

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

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

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

The Group sells its products under the “PEIXIN” brand. The Group's products are divided mainly into four categories: Sanitary Napkin Machines, Diaper Machines, Facial Tissue Machines and Other machines.

The Group's business is mainly driven by the daily-use hygiene products market, currently experiencing growth in developing countries. In particular, the market for diapers for babies and elderly people drives the diaper machine market. Due to consistent improvement on the technology, the Group has the ability to produce more sophisticated diaper machines. As the Group is dedicated to the design, functionality and quality of its products, its technologies and products are getting closer to international competitors and exceed most of domestic competitors. The increasing sales of the full servo machines are a vivid demonstration of how strong quality and technology of the products gain on importance. During 2014 the Company commenced cooperation with Automated Systems of Tacoma (AST). Subject of the cooperation with AST covers among others works on new generation of baby diaper machine.

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

1.4 Market overview

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

Although Chinese economy grew at its slowest pace in 2015, the Group were able to increase cumulative revenues for 1-3Q 2015 up to 51 437 thousands EUR compared to the 49 269 at the same period of 2014, although in the same time the revenues for 3Q 2015 decreased by 1,2 thousands EUR compared to 3Q 2014. Also net profit for 3Q 2015 decreased by ca. 44% compared to the same period of past year. The Company expects that the declining economy situation in China may be continued.

According to Global Diaper Market Report 2014-2018 prepared by Kimberly-Clark, Svenska Cellulosa Aktiebolaget, P&G & Unicharm Corp Dominates the Market, one of the major drivers in this market is the increasing average disposable income among the population. There is a low level of volatility in the per capita disposable income of the people. Moreover, the purchasing power of people has increased exponentially. The affordability of diapers has grown in the developing countries, while there is a high penetration of diapers in the developed nations. One of the major trends in the market is the increased R&D investments by the vendors. The Global Diaper market is witnessing several innovations for the improvement of the performance and the efficiency of diapers. The investments are aimed to enhance the bio-degradability of the product and its safety for usage. The designing of diapers as well as the usage of improved and beltless technology are the focus of the R&D investments. Also, investments are made by the vendors for protection of their brands and to prevent infringement of copyright by other low-cost producers. Thus, the market is expected to experience increased R&D expenditure by the vendors to develop a sustainable competitive advantage. Further, the report states that one of the major challenges in this market is the declining birth rates in the developed markets. The decline occurred during the great recession, when there was high unemployment, which discouraged people to expand their families*.

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

*source: *http://www.reuters.com*
** source: *http://www.prnewswire.com*

2. Selected financial data

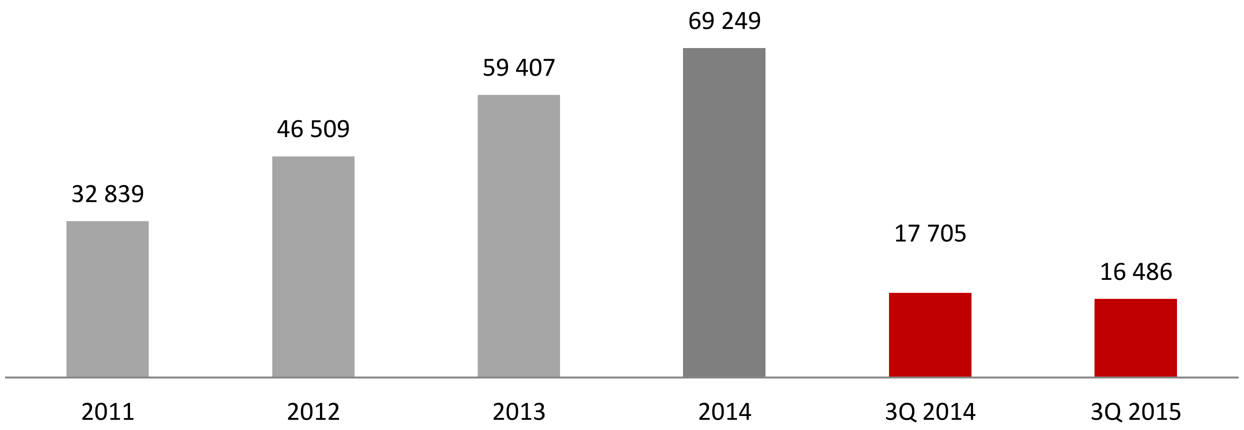
'000 EUR	**3Q 2014**	**3Q 2015**	**1-3Q 2014**	**1-3Q 2015**
revenues	17 705	16 487	49 269	51 437
gross profit	6 502	4 955	18 345	16 467
operating profit	5 265	2 689	14 983	10 776
EBITDA	5 752	3 186	16 580	12 382
profit before tax	5 175	2 972	14 852	11 118
net profit	4 364	2 426	12 568	9 567

'000 EUR	**31 Dec 2014**	**30 Sept 2015**
non-current assets	35,647	40 039
current assets	35,892	51 624
total assets	71,539	91 663
long-term liabilities	-	-
short-term liabilities	7,757	10 573
total equity	63,782	81 090
paid-in capital	13,000	13 000

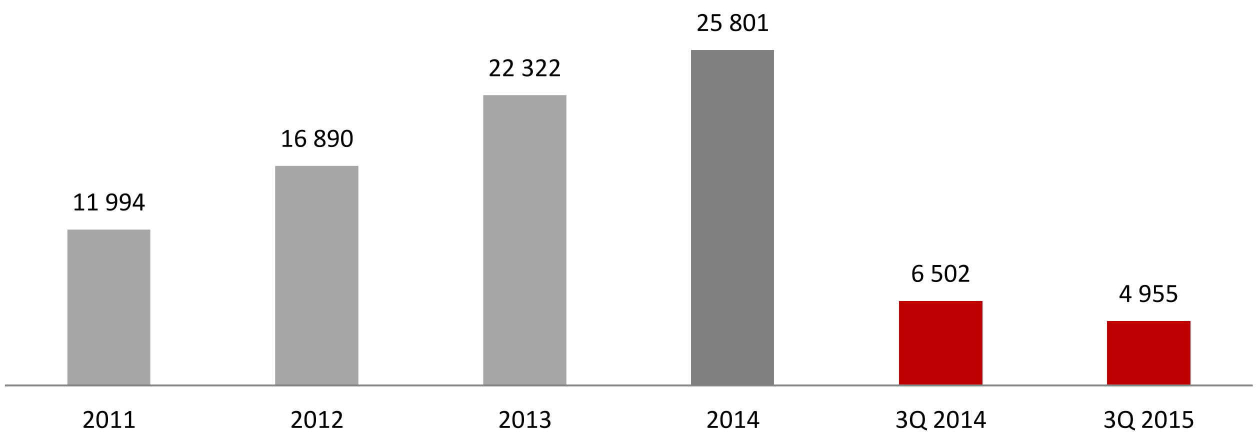
2.1 Operating and financial review

2.1.1 Key financial charts

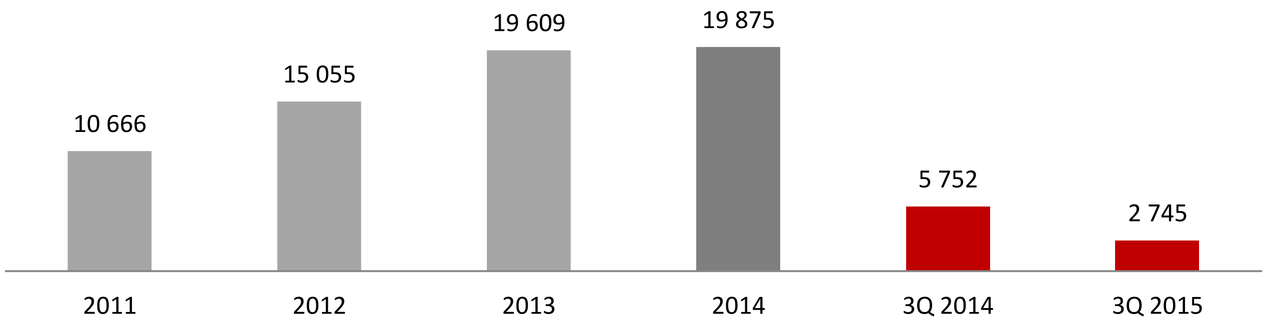
Sales '000 EUR



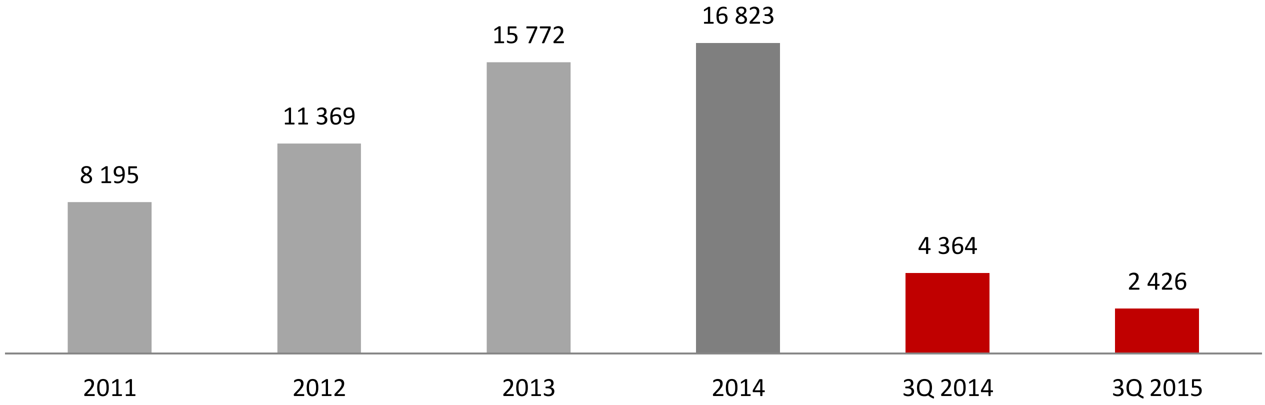
Gross Profit '000 EUR



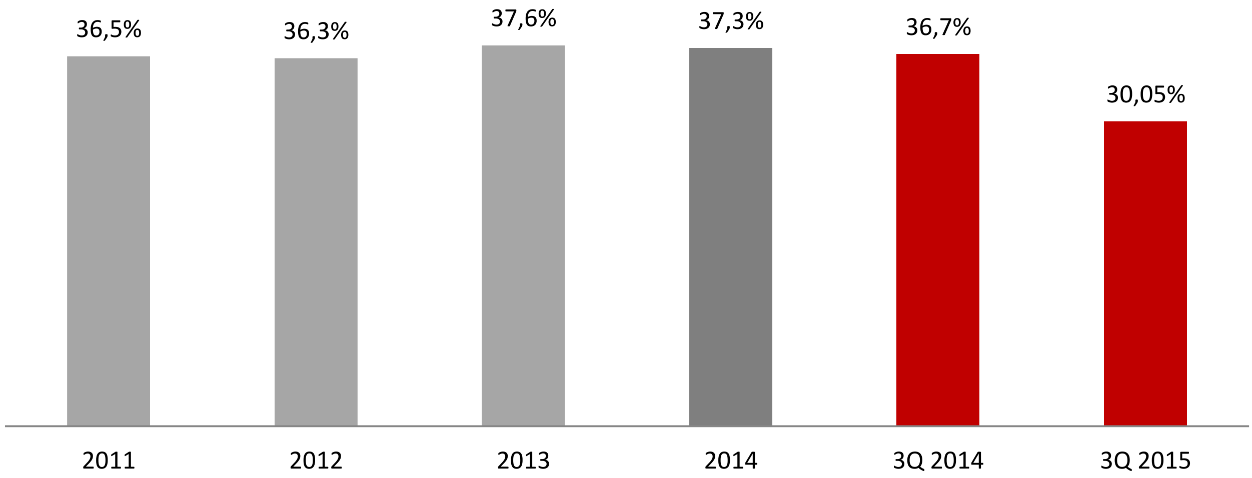
EBITDA '000 EUR



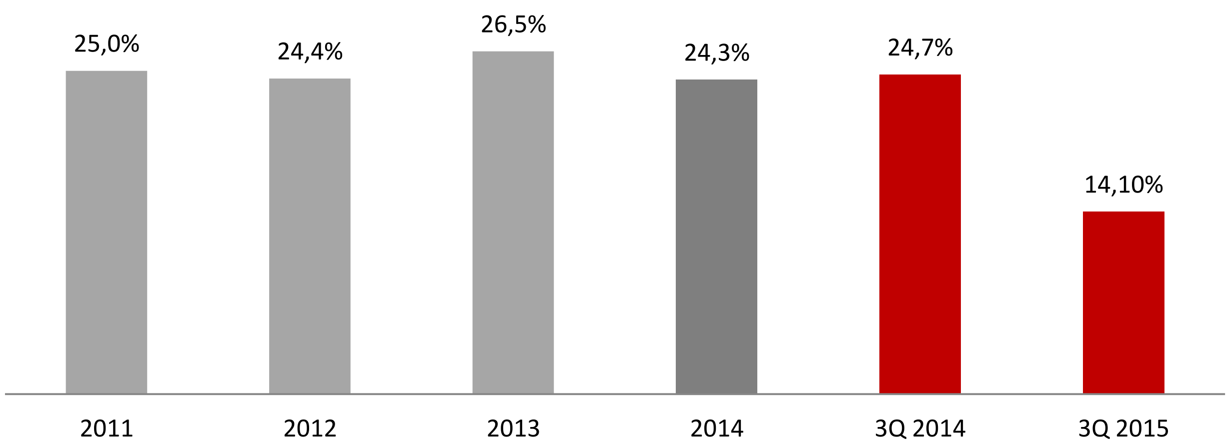
Net profit '000 EUR



Gross Profit Margin %



Net Margin %



2.2 Profit & loss account

2.2.1 Revenues

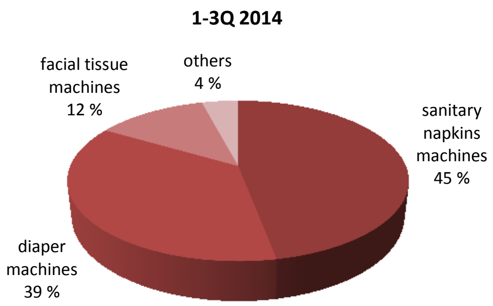
Revenues are generated from sales of sanitary napkin machines, diaper machines, facial tissue machines and other paper machines.

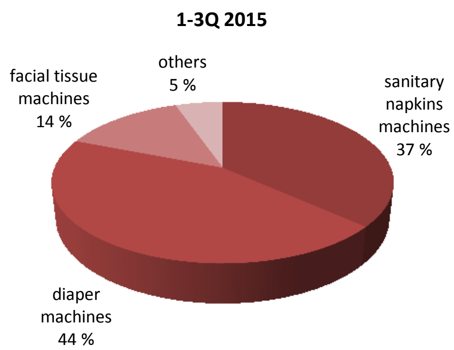
Revenues decreased by EUR 1,218 thousand or -6.9%. from EUR 17,705 thousand for the three months ended on 30 September 2014 to EUR 16,487 thousand for the three months ended on 30 September 2015. From the other hand the Company was able to slightly increase cumulative value of revenues from EUR 49,269 thousand in 1-3Q 2014 up to EUR 51,437 thousand in 1-3Q 2015 i.e by 4,4%

Revenues breakdown by segments

	1-3Q 2014		1-3Q 2015		Change in revenues
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
			(unaudited)		
Sanitary napkins machines	58	22 133	46	18 815	-14,99%
Diaper machines	43	19 449	48	22 814	17,30%
Facial tissue machines	423	5 761	403	7 045	22,29%
Other paper machines	74	1 926	67	2 762	43,41%
	598	49 269	564	**51 436**	4,40%

Sales breakdown by segments for 1-3Q 2014 and 1-3Q 2015 is presented on charts 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.

The following table presents the Group’s revenues and number of units sold broken down geographically for the period of the 3Q 2014 and 3Q 2015.

	3Q 2014	3Q 2015	Change	1-3Q 2014	1-3Q 2015	Change
	‘000 EUR	‘000 EUR	%	‘000 EUR	‘000 EUR	%
Revenue:						
Direct sales						
-Mainland China	9 618	6439	-33,0%	31 328	21 206	47,7%
-Outside Mainland China	906	1631	80,0%	4 025	5 523	-27,1%
Sales to trading companies	7 181	8416	17,2%	13 916	24 707	-43,7%
Total	17 705	16486	-6,8%	49 269	51 436	-4,2%

Number of units sold

	3Q 2014	3Q 2014	1-3Q 2014	1-3Q 2015
Direct sales				
-Mainland China	151	334	348	493
-Outside Mainland China	4	5	52	69
Sales to trading companies	86	128	198	259
Total	**241**	**467**	**598**	**821**

2.2.2 *Cost of Goods Sold*

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

	1-3Q 2014	1-3Q 2015	Change
	‘000 EUR	‘000 EUR	%
			(unaudited)
Changes in inventories of finished			
goods and work in progress	-2 770	-6 804	-145, 6%
Materials consumed in production	27 320	33 743	23,5%
-Glue machines and motors	9 073	10 858	19,7%
-Steel	6 274	8 528	35,9%
-Electric controllers	4 773	5 621	17,8%
-Knife roller\cylinder	1 105	1 353	22,4%
-Other components	5 089	6 158	21,0%
-Auxiliary materials	1 006	1 225	21,8%

Labour	2 794	2974	6,4%
Depreciation and amortization	969	1607	65,8%
Outsourced manufacturing cost	1 145	1308	14,2%
Taxes and surcharges *	325	542	66,8%
Water and electricity	402	475	18,2%
Others	230	123	-46,5%
Foreign currency translation difference	509	960	88,6%
Total	**30 924**	**34928**	**12,9%**

**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).*

2.2.3 Gross profit

Gross profit decreased by EUR 1,547 thousand, or 23,8 %, from EUR 6 502 thousand in 3Q 2014 to EUR 4,955 thousand in 3Q 2015.

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

	3Q 2014	**3Q 2015**	change	**1-3Q 2014**	**1-3Q 2015**	change
	'000 EUR	**'000 EUR**	**%**	**'000 EUR**	**'000 EUR**	**%**
			(unaudited)			**(unaudited)**
Segment gross profit						
Sanitary napkins machines	2 802	1036	-63,0%	8 373	6 147	36,2%
Diaper machines	2 567	2478	-3,5%	7 226	7 048	2,5%
Facial tissue machines	774	843	8,9%	2 072	2 368	-12,5%
Other paper machines	359	598	66,6%	674	904	-25,4%
Total	**6 502**	4 955	-23,8%	**18 345**	16 467	11,4%

2.3 Key factors affecting operating and financial results

2.3.1 Unusual items, one-off events

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

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

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

2.3.3 Seasonality

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

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

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

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

The Company did not publish any estimates of amounts for the period ended 30 September 2015.

2.4 Risk factors

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

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

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

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

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

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

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

Availability of bank financing

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

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

2.4.2 Risk factors relating to the Group

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

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

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

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

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

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

The operations of the Group are subject to uncertainties and contingencies beyond its control that could result in material disruptions and adversely affect its results of operations. A material disruption of the

operations of the Group or the operations of its suppliers or customers due to force majeure events could materially and adversely affect the results of operations

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

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

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

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

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

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

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

Research and development efforts of the Group may not yield the expected benefits and the Group may not be able to introduce successful products and maintain the competitiveness of its product offerings. If the Group is unable to anticipate trends in technological or product development or follow the market

trends and rapidly develop the new and innovative technologies or products that are required by the Group's customers, the Group may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on the Group's business, financial position and results of operations.

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

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

As of end of 3Q 2015, the Group's distribution network consists of 29 salesmen operating mainly in coastal areas of China and direct overseas market, which generate substantially all of the Group's revenue. Domestically, the Group intends to extend its distribution coverage from the current coastal areas of China to other inland and economically growing regions. The Group also intends to intensively increase its direct presence in selected overseas markets such as India, Turkey and USA by increasing promotional efforts such as targeted advertising and participation in exhibitions to increase its ability to directly distribute its products to international customers. Late 2013 the Group made a decision to establish first overseas office in Ankara, Turkey. The office has been operational since January 2014. The Group cannot ensure that its selling efforts will be satisfactory and there can be no assurance that its marketing and development efforts will not prove costly or ineffective. Moreover, the Group may not be able to successfully deal with legal and regulatory conditions in foreign countries that are different from those in China, what may impact its international expansion. If the Group fails to expand or develop its sales network as planned or if it loses its best performing salesmen, the Group may not be able to meet its sales' targets, which may have a material and adverse impact on the Group's business, financial position and results of operations.

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

implement its strategic objectives may have a material adverse effect on the Group's business, revenues, financial condition and results of operations.

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

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

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

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

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

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

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

2.5 Strategy

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

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

2.6 Significant investment CAPEX

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

2.7 Dividend policy

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

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

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

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

all data in thousand EUR, unless stated otherwise

2.8 Shareholders and shares

2.8.1 Share capital structure

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

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

2.8.2 Major shareholders and shares

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

Shareholder	**number of shares**	**% in the share capital**
P.I. Investment Limited (wholly owned by Mr Qiulin Xie)	10,500,000	80.77%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.62%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	539,202	4.15%
others	1,360,798	10.47 %
Total	**13,000,000**	**100%**

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

2.8.3 Issue of new shares

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

In 3Q 2015 the Company did not issue any debt securities nor made any repurchases or repayments of debt or equity securities.

2.8.4 Changes in ownership of shares and rights to shares by Management Board members in the three month ended 30 September 2015 and until the date of publication of the report

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

all data in thousand EUR, unless stated otherwise

2.8.5 Changes in ownership of shares and rights to shares by Supervisory Board members in the three month ended 30 September 2015 and until the date of publication of the report

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

2.8.6 Special rights to control over the Company

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

2.9 Corporate bodies

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

2.9.1 Management Board

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

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

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

During 3Q 2015 there weren't changes in the composition of the Management Board.

2.9.2 Supervisory Board

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

all data in thousand EUR, unless stated otherwise

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

During 3Q 2015 there weren't changes in the composition of the Supervisory Board.

3. Other information

3.1 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. Statement of the Management Board

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

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

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

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

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

Members of the Management Board:

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

19 November 2015 Amsterdam, The Netherlands.

PEIXIN INTERNATIONAL GROUP N.V.

CONSOLIDATED FINANCIAL STATEMENTS

for the nine months ended 30 September 2015

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Consolidated statement of comprehensive income

	Notes	3Q 2014	3Q 2015	1-3Q 2014	1-3Q 2015
		'000 EUR	'000 EUR	'000 EUR	'000 EUR
Revenue	**8**	**17,705**	**16,487**	**49,269**	**51,437**
Cost of sales	9	-11,203	-11,532	-30,924	-34,970
Gross profit		**6,502**	**4,955**	**18,345**	**16,467**
Other income	10	113	31	157	96
Distribution and selling expenses	11	-785	-978	-913	-2,182
Administrative expenses	12	-355	-357	-1,292	-1,165
Research and development expenses	13	-654	-962	-1,314	-2,440
Profit from operations		**5,265**	**2,689**	**14,983**	**10,776**
Other gains and losses		-30	66	-31	-67
Finance income		4	-6	64	52
Finance costs	14	-64		-164	357
Profit before tax		**5,175**	**2,972**	**14,852**	**11,118**
			0		
Income tax expense	15	-811	-546	-2,284	-1,551
Profit for the year		**4,364**	**2 426**	**12,568**	**9,567**
Other comprehensive income					
Items that will not be reclassified					
Currency translation differences		3,916	2 475	4,002	7,741
Total comprehensive income		**8,280**	**4 901**	**16,570**	**17,308**
Attributable to:					
Owner of the Company		8,280	4 901	16,570	17,308
Earnings per share-basic	**18**	**0.64**	**0.21**	**1.27**	**0.74**

Consolidated statement of financial position

	Notes	31/12/2014	30/09/2015
		'000 EUR	**'000 EUR**
Property, plant and equipment		17,941	19,253
Prepaid lease payments		17,692	19,769
Investment properties		14	-
Other deferred assets		786	1,017
Non-current assets		**35,647**	**40,039**
Inventories	19	9,177	16,602
Trade and other receivables	21	13,540	14,155
Prepaid lease payments		25	28
Bank balances and cash	22	13,150	20,839
Current assets		**35,892**	**51,624**
Trade and other payables	23	4,088	6,512
Advance from customers	24	2,283	2,881
Related parties payables	25	634	665
Income tax payable		752	515
Bank borrowings	26	-	-
Current liabilities		**7,757**	**10,573**
Net current assets		**28,135**	**41,051**
Total assets less current liabilities		**63,782**	**81,090**
Capital and reserves			
Share capital	27	13,000	13,000
Reserves	28	43,054	52,621
Foreign currency translation reserve		7,728	15,469
Total equity		**63,782**	**81,090**

Consolidated statement of cash flow

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

Consolidated statement of changes in equity

	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Results for the year	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	(Note27)	(Note28)	(Note28)	(Note28)	(Note28)		
Balance at 1 January 2014	41	3,302	2,179	1,630	5,609	11,369	24,130
Result appropriation	-	-	-	-	11,369	-11,369	-
Profit for the period	-	-	-	-	-	11,312	11,312
Other comprehensive income for the period	-	-	-133	-	-	-	-133
Balance at 30 September 2014	41	3,302	2,046	1,630	16,978	11,312	35,309
Profit for the period	-	-	-	-	-	4,460	4,460
Other comprehensive income for the period	-	-607	-558	-	-	-	-1,165
Appropriation to statutory surplus reserve	-	-	-	1,007	-1,007	-	-
Shares transferred from BVI to N.V.	-41	41	-	-	-	-	-
Capital injection	45	-	-	-	-	-	45
Share capital injected by contribution of shares	11,955	16,976	-	-	-28,931	-	-
Share capital injected by IPO	1,000	2,587	-	-	-	-	3,587
Balance at 31 December 2014	13,000	22,299	1,488	2,637	-12,960	15,772	42,236
Result appropriation	-	-	-	-	15,772	-15,772	-
Profit for the period	-	-	-	-	-	12,568	12,568
Other comprehensive income for the period	-	-	4,002	-	-	-	4,002
Payment of dividends	-	-	-	-	-1,516	-	-1,516
Balance at 30 September 2015	13,000	22,299	5,490	2,637	1,296	12,568	57,290

1. GENERAL INFORMATION

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

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

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

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

As at 30 September 2015, the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries: Peixin International Group Ltd. (Peixin International BVI), Fujian Peixin Machine Manufacture Industry Co., Ltd. (Fujian Peixin), Quanzhou Peixin Machine Manufacture Industry Co., Ltd. (Quanzhou Peixin) and Baixin Industry Co., Ltd. (Quanzhou Baixin).

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

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

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

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

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

As at 30 September 2015 and the date of approval of the consolidated financial statements, Peixin International Group N.V. had the following wholly-owned subsidiaries:

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

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

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

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

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

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

As of 30 September 2015 and as of the date of publication of 3Q 2015 report, the Company's shareholding structure was as follows:

Shareholder	No. of shares	% in the share capital
P.I. Investment Limited - fully controlled by Mr Xie Qiulin (Principal Shareholder)	10,500,000	80.8%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.6%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	539,202	4.15%
Others	1,360,798	10.47%
Total	**13,000,000**	**100%**

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

Except as described below, for the period ended 30 September 2015 the Company has consistently adopted all the new and revised standards, amendments and interpretations (collectively IFRSs) issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as "International Financial Reporting Interpretations Committee" ("IFRIC")) of the IASB as adopted by the European Union ("adopted IFRSs") that are effective for financial year beginning on 1 January 2013 in the preparation of the consolidated financial statements throughout the Periods.

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

IAS 27 (Revised 2011) Separate Financial Statements

IAS 28 (Revised 2011) Investments in Associates and Joint Ventures

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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

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

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

IFRS 14 Regulatory Deferral Accounts

IAS 16 (amendments) Property, Plant and Equipment

IAS 19 (amendments) Employee Benefits

IAS 38 (amendments) Intangible Assets

IFRS 11 (amendments) Joint Arrangements

IFRIC 21 Levies

Annual Improvements 2010-2012 Cycle

Annual Improvements 2011-2013 Cycle

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the European Union. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

4. SIGNIFICANT ACCOUNTING POLICIES –continued

Foreign currencies

Functional and presentation currency

Functional and presentation currency

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

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

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

Period end rates Average rates

30 September 2014 EUR 1.00= RMB 8.3946 EUR 1.00=RMB 8.4132

31 December 2014 EUR 1.00= RMB 7.4556 EUR 1.00=RMB 8.1255

30 September 2015 EUR 1.00= RMB 6.9608 EUR 1.00=RMB 6.6648

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

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

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

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

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

Transactions and balances

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share each of these criteria.

Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Research and development expenditure

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

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

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

Borrowing costs

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

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

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

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

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

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

Investment property

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

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

Other deferred assets

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

Prepaid investments

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Leased assets

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments-continued

Financial assets-continued

Loans and receivables

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

Impairments of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments-continued

Financial assets-continued

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Capital and Reserves

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

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

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

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

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

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

Allowance for Bad and Doubtful debts

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

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES -continued

Income Tax

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

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Depreciation of building, machinery and equipment

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

7. SEGMENT REPORTING

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

By business

Revenue:	**3Q 2014**	**3Q 2015**	**1-3Q 2014**	**1-3Q 2015**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Sanitary napkins machines	7,290	3,502	18,996	18,815
Diaper machines	7,367	8,852	15,945	22,814
Facial tissue machines	2,179	2,546	5,897	7,045
Other paper machines	869	1,586	2,160	2,762
Total	**17,705**	**16,486**	**42,998**	51,436

Segment gross profit :	**3Q 2014**	**3Q 2015**	**1-3Q 2014**	**1-3Q 2015**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Sanitary napkins machines	2,802	1,036	8,373	6,147
Diaper machines	2,567	2,478	7,226	7,048
Facial tissue machines	774	843	2,072	2,368
Other paper machines	359	598	674	904
Total	**6,502**	**4,955**	**18,345**	**16,467**

By Geographical Information

Revenue:	**3Q 2014**	**3Q 2015**	**1-3Q 2014**	**1-3Q 2015**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Direct sales				
-Mainland China	9,618	6,439	31,328	21,206
-Outside Mainland China	906	1,631	4,025	5,523
Sales to trading companies	7,181	8,416	13,916	24,707
Total	**17,705**	**16,486**	**49,269**	51,436

REVENUE

8. REVENUE

Revenue represents revenue arising on sales of goods.

Revenue is denominated in the following currencies:

Revenue:	**3Q 2014**	**3Q 2015**	**1-3Q 2014**	**1-3Q 2015**
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**
Renminbi ("RMB")	16,799	14,855	45,244	45,913
United States Dollars ("USD")	906	1,631	4,025	5,523
Total	17,705	16,486	49,269	51,436

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:

	1-3Q 2014	**1-3Q 2015**
	'000 EUR	**'000 EUR**
Changes in inventories of finished		
goods and work in progress	-2 770	-6 804
Materials consumed in production	27 320	33 743
-Glue machines and motors	9 073	10 858
-Steel	6 274	8 528
-Electric controllers	4 773	5 621
-Knife roller\cylinder	1 105	1 353
-Other components	5 089	6 158
-Auxiliary materials	1 006	1 225
Labour	2 794	2974
Depreciation and amortization	969	1607
Outsourced manufacturing cost	1 145	1308
Taxes and surcharges *	325	542
Water and electricity	402	475
Others	230	123
Foreign currency translation difference	509	960
Total	**30 924**	**34928**

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

10. OTHER INCOME

	1-3Q 2014	1-3Q 2015
	'000 EUR	**'000 EUR**
Government grant	82	9
Rental income	37	11
Sales of spare parts	38	77
Total	**157**	**96**

11. DISTRIBUTION AND SELLING EXPENSES

	1-3Q 2014	1-3Q 2015
	'000 EUR	**'000 EUR**
Staff costs	430	496
Marketing and advertising costs	148	1 064
Post-sales services costs	167	354
Traveling costs	60	49
Depreciation	4	2
Others	104	217
Total	**913**	**2 182**

12. ADMINISTRATIVE EXPENSES

	1-3Q 2014	1-3Q 2015
	'000 EUR	**'000 EUR**
Staff costs	295	532
Depreciation and amortisation charges	270	92
Entertainment and office expenses	189	123
Miscellaneous taxes	130	197
Professional service fee	213	-
Others	195	221
Total	**1,292**	**1,165**

13. RESEARCH AND DEVELOPMENT EXPENSES

	1-3Q 2014	1-3Q 2015
	'000 EUR	**'000 EUR**
Materials	742	1,221
Staff costs	400	555
External advisors	168	516
Depreciation charges	4	147
Total	**1,314**	**2,440**

14. FINANCE COSTS

Bank borrowings interests are charged on interest rates of 6.000% to 6.560%, 6.560%, per annum during the period ended 30 September 2015 respectively.

	1-3Q 2015
	'000 EUR
Foreign exchange loss, net	2,763

12. INCOME TAX EXPENSE

	3Q 2014	**1-3Q 2014**	**1-3Q 2015**
	'000 EUR	**'000 EUR**	**'000 EUR**
Current tax: PRC enterprise income tax	811	2,284	1,551

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

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

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

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

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

13. EMPLOYEES' EMOLUMENTS

	1-3Q 2014	1-3Q 2015
	'000 EUR	'000 EUR
Salaries and other short-term benefits	3,639	4,857
Defined contribution benefit schemes	106	163
Total employee benefits expense		
(including directors' emoluments)	**3,745**	**5,020**

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

14. KEY MANAGEMENT EMOLUMENTS

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

	1-3Q 2014	**1-3Q 2015**
	‘000 EUR	**‘000 EUR**
Directors' emoluments		
- Salaries		
Xie Qiulin	51	21
Xie Kaida	18	6
Dai Hongyan	30	13
	99	
Supervisory board' s emoluments		
- Salaries		
Li Ya	6	8
Shen Ming	6	8
Liem Tsong LucienTjon	3	4
Jaroslaw Dariusz Dabrowski	12	16
Wu Rongfu	21	9
	48	
- Social Welfare		
Xie Qiulin	*	0,14
Xie Kaida	*	0,14
Dai Hongyan	*	0,14
Wu Rongfu	*	0,14

15. EARNINGS PER SHARE

	1-3Q 2014	1-3Q 2014
	'000 EUR	**'000 EUR**
Basic earnings per share		
From continuing operations	0.74	1.27
Total basic earnings per share	**0.74**	**1.27**

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

	3Q 2014	3Q 2015	1-3Q 2014	1-3Q 2015
Weighted average number of ordinary shares for the purpose of basic earnings per share[1]	13,000,000	13,000,000	13,000,000	13,000,000

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

1 The number of shares in the first nine months of 2015 was not equal to 13,000,000 due to the purpose of basic earnings per share.

16. INVENTORIES

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Raw materials and consumables	3,413	4,034
Work in progress	5,416	10,601
Finished goods	348	1,968
	9,177	16,602

17. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Trade and other receivables (Note 21)	13,349	13,726
Bank balances and cash (Note 22)	13,150	20,839
	26,499	34,565

Financial liabilities measured at amortized cost

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Current		
Trade and other payables (Note 23)	3,432	6 512
Advance from customers (Note 25)	2,283	2,881
Related parties payables (Note 24)	634	665
Bank borrowings (Note 26)	-	0
	6,349	10,058

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

18. TRADE AND OTHER RECEIVABLES

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Trade receivables	13,155	13,606
Other receivables	194	338
Subtotal financial assets	13,349	13,944
Prepayments	191	211
	13,540	14,155

21. TRADE AND OTHER RECEIVABLES-continued

Trade and other receivables are denominated in the following currencies:

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Renminbi ("RMB")	12,218	12,221
United States Dollars ("USD")	1,322	1,934
Euros ("EUR")	-	-
	10,204	14,155

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

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

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Current	13,120	12,876

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

	As at 31 December 2013	As at 30 September 2015
	kEUR	kEUR
Past due for less than 3 months	35-	730
Past due for over 3 months but less than 9 months	-	-
	-	-
	13,155	13,606

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

22. BANK BALANCES AND CASH

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Cash on hand	2	6
Bank balances	13,148	20 833
	13,150	20 839

Bank balances and cash are denominated in the following currencies:

	As at 31 December 2013	As at 30 September 2015
	kEUR	kEUR
Renminbi (“RMB”)	13,098	20,704
United States Dollars (“USD”)	9	89
Hong Kong Dollars (“HKD”)	4	4
Euros (“EUR”)	39	41
Zlotys (“PLN”)	*	*
	11,983	20,839

* Amount less than EUR 1,000.

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

23. TRADE AND OTHER PAYABLES

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Trade payables	2,492	3,473
Other payables	11	1,601
Salary payables	929	1,066
Subtotal financial liabilities	3,432	6,140
Tax payables other than income tax	656	372
	4,088	6,512

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

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

23. TRADE AND OTHER PAYABLES-continued

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

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Current	2,492	3,473

24. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Group
Xie Qiulin	Director of the Group

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

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Xie Qiulin	634	665
	634	665

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

25. ADVANCE FROM CUSTOMERS

Advance from customers comprise down payment received for trade sales.

Advance from customers are denominated in the following currencies:

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Renminbi (“RMB”)	2,283	1,079
United States Dollars (“USD”)		1,802
	2,283	2,881

25. ADVANCE FROM CUSTOMERS-continued

The aging analysis of advance from customers is as follows:

	As at 31 December 2014	As at 30 September 2014
	kEUR	kEUR
Less than 3 months	1,089	909
Over 3 months but less than 1 year	882	1,812
Over 1 year but less than 1 and a half years	312	159
	2,283	2,880

26. BANK BORROWINGS

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Secured bank borrowings	--	-
Carrying amount repayable within 1 year	--	-

27. SHARE / PAID-IN CAPITAL

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

	As at 31 December 2014	As at 30 September 2015
	kEUR	kEUR
Share/paid-in capital	13,000	13,000

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

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

28. RESERVES

Share premium

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

Statutory surplus reserve

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

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

The statutory surplus reserve of the Group amounts to kEUR 2,637 at 30 September 2015 (31 December 2014: kEUR 2,637). The statutory surplus reserve of the Group is related to Fujian Peixin and Quanzhou Peixin.

28. RESERVES-continued

Retained profits

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

Foreign currency translation reserve (other comprehensive income)

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

29. RELATED PARTY TRANSACTIONS

Compensation to director of the Company

Note 24

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

Personal undertaking loans guaranteed by director of the Company

30. CONTINGENCIES

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

31. COMMITMENTS

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

32. EVENT AFTER THE REPORTING PERIOD

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

The interim consolidated financial statements on page A to D as well as selected explanatory notes on page 1 to 29 were approved and authorized for issue by the Board of Directors on November 19, 2015 and are signed on its behalf by:

Xie Qiulin
DIRECTOR

Huang Zhimin
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

Du Zhanghe
MEMBER OF THE SUPERVISORY BOARD

Wu Rongfu
MEMBER OF THE SUPERVISORY BOARD