Peixin International Group N.V.

(a public limited liability company incorporated under the laws of the Netherlands, with its incorporated seat in Amsterdam, the Netherland)

Offering of up to 4,000,000 Shares, with a nominal value of EUR 1 each, and admission to trading on the Warsaw Stock Exchange of up to 16,000,000 Shares

This prospectus ("Prospectus") has been prepared for the purpose of (i) the offering ("Offering") of up to 4,000,000 Shares, with a nominal value of EUR 1 each (the "Offer Shares"), and (ii) the admission to trading on the Warsaw Stock Exchange of up to 16,000,000 Shares. The Offering consists of a public offering to: (i) institutional investors in the Republic of Poland (the "Polish Institutional Offering") and (ii) retail investors in the Republic of Poland (the "Retail Offering"). Parallel to the Offering there might be performed limited private placement to International Institutional Investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), in each case in accordance with applicable securities laws. There will be no public offering outside of the Republic of Poland. In particular, there will be no public offering of the Offer Shares in the Netherlands.

Investing in the securities described in this Prospectus is connected with a high degree of risk inherent to investments in capital market equity instruments and risks connected with the Group's operations and its business environment. For a discussion of certain risk factors that should be considered in connection with an investment in the Offer Shares, see "*Risk Factors*".

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 5, section 3 of the Directive 2003/71/EC of 4 November 2003 of the European Parliament and of the Council of the European Union on the prospectus to be published when securities are offered to the public and admitted to trading ("Prospectus Directive") and has been prepared in accordance with the provisions of the European Commission Regulation (EC) 809/2004 and Chapter 5.1 of the Dutch Act on Financial Supervision ('Wet op het financieel toezicht'). This Prospectus has been filed with, and was approved on 17 September 2013, by the Netherlands Authority for the Financial Markets ('Stichting Autoriteit Financiele Markten') ("AFM"), which is the competent authority for the purpose of the relevant implementing measures of the Prospectus Directive in the Netherlands. Based on Article 5:6 paragraph 1 under (a) of the Dutch Act on Financial Supervision, the Netherlands is the home member state of the Company and the AFM is solely authorised to approve this Prospectus. The Company will be authorised to carry out the Public Offering in the Republic of Poland once the AFM has notified the Polish Financial Supervisory Commission (*Komisja Nadzoru Finansowego*), which is the competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland, that it has approved the Prospectus.

The Shares have not been and are not traded on any regulated market. The Company intends to make an application to the Warsaw Stock Exchange for the admission of all of the Listing Shares (as defined below, including the Offer Shares) to trading on the main market segment of the regulated market on the Warsaw Stock Exchange. The date on which trading of the Listing Shares on the Warsaw Stock Exchange will commence is expected to be on or about 10 October 2013 (the "Listing Date"). Delivery of the Offer Shares to investors' securities accounts is expected to be made on or about 9 October 2013 (the "Settlement Date"). Prospective retail investors in Poland may subscribe for the Offer Shares during a period which is expected to commence on or about 18 September 2013 and is expected to end on or about 25 September 2013, whereas selected prospective institutional investors (other than "U.S. persons" as defined in Regulation S under the U.S. Securities Act) may subscribe for the Offer Shares during a period that is expected to commence on or about 27 September 2013 and is expected to end on or about 1 October 2013.

The Offer Price per Offer Share and the final number of Offer Shares will be determined by the Issuer in consultation with the Lead Manager (as defined below) and announced on or about 27 September 2013 in the same manner as the Prospectus was published (i.e. will be published on the website of the Company www.peixin.com and of the Lead Manager www.dm.pkobp.pl) and will be filed with the AFM. The Offer Price will not be set at higher than the Maximum Offer Price, which is PLN 25. The Offer Price will be the same for both Retail Investors and Institutional Investors.

In the event of a cancellation of the Offering, information about the cancellation will be made available to the public in the form of a supplement to the Prospectus. Should the Offering be cancelled, subscriptions for the Offer Shares that have been made will be deemed null and void, and any subscription payments that have been made will be returned without any interest or compensation no later than 14 days after the date of the announcement to the public information of cancellation of the Offering. A return of payment for the Offer Shares without interest or compensation shall also take place when the Offer Shares are not allotted or where there is a reduction of subscription orders placed as set out in this Prospectus or if excess payments are being returned. Information about the suspension of the Offering will be made available to the public in the form of a supplement to this Prospectus. If the decision to suspend the Offering is made during the Subscription Period, both the subscriptions and payments made shall be deemed valid. Investors, however, will be entitled to withdraw from the Offering for two business days following the publication of a supplement to this Prospectus concerning the suspension of the Offering. None of the Company and/or the Lead Manager shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect to and/or in connection with such suspension or cancellation.

The Offering does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be illegal. See: "*Selling Restrictions*". Any person considering acquiring Offer Shares in the Offering should read this Prospectus in its entirety and, in particular, "*Risk Factors*".

THE PUBLIC OFFERING IS MADE ONLY IN POLAND. SUBJECT TO CERTAIN LIMITED EXCEPTIONS THE SECURITIES OFFERED IN THIS PROSPECTUS MAY NOT BE OFFERED OR SOLD OUTSIDE POLAND, INCLUDING IN THE UNITED STATES OF AMERICA. THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY U.S. STATE, AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, OR TO, OR FOR THE BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND IN COMPLIANCE WITH ANY APPLICABLE U.S. STATE SECURITIES LAWS.

The Lead Manager, Sole Bookrunner and Offering Agent
Dom Maklerski PKO Banku Polskiego
The date of this Prospectus is 17 September 2013

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

	Section A – Introduction and warnings	
A.1	***Introduction and warnings***	*This summary should be read as an introduction to this Prospectus only. Any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State, the plaintiff investor may, under the national legislation of that Member State, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary (including any translation thereof), but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering to invest in the Offer Shares.*
A.2	***Issuer's consent***	*Not applicable. The Issuer has not granted such consent and the Offer Shares will not be the subject of subsequent resale or final placement by financial intermediaries.*
	Section B – Issuer	
B.1	***Legal and commercial name of the issuer***	*Peixin International Group N.V. (the* ***Company)***
B.2	***Domicile, legal form, legislation and country of incorporation***	*The Company is a public company (naamloze vennootschap) incorporated under the laws of, and domiciled in, the Netherlands. The Company has its statutory seat (statutaire zetel) in Amsterdam, the Netherlands.*
B.3	***Key factors relating to the nature of the Group's operations and its principal activities***	*The Group designs, produces and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissue and other products. 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 the distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according 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: Diaper Machines, Sanitary Napkin Machines, Facial Tissue Machines and Others corresponding to 34.9%, 42.0%, 15.3% and 7.8% of the Group's revenues for 2012 respectively.* *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, and the market*

		for sanitary napkins and sanitary tissues drives the market for sanitary napkin and sanitary tissue machines. *The Group believes that the design, functionality and quality of its products is close to that of its international competitors and exceeds most of domestic competitors. The Group is able to design tailor-made lines adjusted to particular clients' needs, which allows it to offer sophisticated products. The Group considers its R&D and quality control expertise to be crucial to its future success and intends to further strengthen its research and development activities, as well as to enhance the quality and functionality of its products to respond to market demand.* *The Group's production facility is located in Quanzhou, Fujian province in China. The Group intends to open two new factories by 2016 with an intention to more than triple its production capacity and perceives the opening of these new factories as a significant step towards increasing the Group's revenues and keeping one of the leading position among domestic producers of machines manufacturing daily-use hygiene products.* *The group distributes its products to daily-use hygiene product manufacturers in China and abroad, mainly in Asia, Africa and South America. Domestically, the Group intends to extend its distribution coverage from the coastal areas of China currently to other inland and economically growing regions including the provinces of Chongqing, Henan, and Hunan. The Group believes that entering the new provinces of China with its distribution network will allow the Group to increase sales of its products. 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, as well as employing additional China-based salesmen covering international markets to increase its ability to directly distribute its products to international customers.*
B.4a	***Recent trends***	*In general, the Company's business is driven by general economic conditions (such as general wealth), consumer spending, healthcare and demography trends (such as birth rate, life expectancy) as well as consumer habits, which in turn drives demand for consumer products. The Company believes that the following factors had and/or will have a material effect on the Group's operation results:* • *Growth in the daily-use hygiene products market in China and developing countries* • *Change in the daily-use hygiene product machinery in developed and developing countries* • *Development of the distribution network in the Chinese and international market as well as production capacity* • *Fluctuations in labour costs* • *Consolidation on the market of China-based producers of daily use hygiene products* • *Tax policy and changes in applicable tax provisions* • *Effects of currency fluctuations*
B.5	***Description of the Group and the Company's positioning within the Group***	*The Principal Shareholder of the Company is Mr Qiulin Xie. The Company is the sole shareholder of Peixin International BVI, a limited liability company incorporated under laws of the British Virgin Islands. Peixin International Group Ltd. is a sole shareholder of two subsidiaries: Fujian Peixin, the operation entity which manufactures and sells the Group products and Quanzhou Peixin with no business activity. Both Fujian Peixin and Quanzhou Peixin are limited liability companies formed under PRC laws with a status of a wholly foreign owned enterprises.*

<table>
<tr><td rowspan="3">B.6</td><td>Persons who, directly and indirectly, have a notifiable interest in the Company's capital or voting rights</td><td>As at the date of this Prospectus, 87.5% of the Company’s share capital is held by the current CEO Mr Qiulin Xie (the "Principal Shareholder"). The Company's minority shareholders include: (i) Xinsheng Investment Holding Ltd, (ii) Jinyuan Investment Holding Ltd and (iii) Best Fortune Investment Enterprises Limited, investment vehicles established in the British Virgin Islands and controlled by private individuals. The following table indicates our shareholding structure as at the date of this Prospectus.
<table>
<tr><th>Shareholder</th><th>No. of Shares</th><th>% in the share capital</th></tr>
<tr><td>Qiulin Xie (Principal Shareholder).............................</td><td>10,500,000</td><td>87.5%</td></tr>
<tr><td>Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident).............................</td><td>600,000</td><td>5%</td></tr>
<tr><td>Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident).......................................</td><td>600,000</td><td>5%</td></tr>
<tr><td>Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident) ....</td><td>300,000</td><td>2.5%</td></tr>
<tr><td>Total ....</td><td>12,000,000</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Different voting rights</td><td>No shareholder has voting rights that differ from the other shareholders.</td></tr>
<tr><td>Control over the Company and nature of such control</td><td>As at the date of this Prospectus, 87.5 % of the Company’s share capital is held by the current CEO Mr Qiulin Xie (the "Principal Shareholder").</td></tr>
<tr><td>B.7</td><td>Selected historical key financial information</td><td>The table below sets out selected financial information for each of the three financial years ended 31 December 2012, 2011 and 2010, which is derived from the Company's audited consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, respectively (the Annual Financial Statements), as well as the unaudited consolidated financial information for the six months ended 30 June 2012 and 30 June 2013, respectively (the Interim Financial Statements). The Consolidated Financial Statements and the Interim Financial Statements are set out in "Index to Financial Statements".</td></tr>
</table>

Selected consolidated statements of comprehensive income data

	31 December			Period ended	
	2010	2011	2012	30/06/2012	30/06/2013
	TEUR	TEUR	TEUR	TEUR	TEUR
		(audited)		(unaudited)	
Revenue	19,740	32,839	46,509	22,459	27,395
Cost of sales	(12,817)	(20,845)	(29,619)	(14,042)	(17,224)
Gross profit	6,923	11,994	16,890	8,417	10,171
Other income	155	159	200	101	235
Distribution and selling expenses	(656)	(817)	(1,025)	(538)	(537)
Administrative expenses	(816)	(947)	(1,219)	(624)	(747)
Research and development expenses	(701)	(782)	(1,019)	(413)	(513)
Profit from operations	4,905	9,607	13,827	6,943	8,609
Other gains and losses	36	18	(53)	2	17
Finance costs	(118)	(169)	(247)	(116)	(125)
Profit before tax	4,823	9,456	13,527	6,829	8,501
Income tax expense	(675)	(1,261)	(2,158)	(1,087)	(1,252)
Profit for the year	4,148	8,195	11,369	5,742	7,249
Other comprehensive income					
-currency translation differences	1,036	1,406	(270)	866	895
Total comprehensive income for the year	5,184	9,601	11,099	6,608	8,144

Source: Consolidated Financial Statements

Selected consolidated statements of financial position data

	31 December			30 June 2013
	2010	2011	2012	
	TEUR	TEUR	TEUR	TEUR
		(audited)	(unaudited)	
Non-current assets				
Property, plant and equipment	9,069	9,533	9,574	9,213
Prepaid lease payments	954	1,006	965	985
Investment properties	712	720	659	656
Deferred tax assets	6	-	-	-
Other deferred assets	796	1,022	810	737
	11,537	12,281	12,008	11,591
Current assets				
Inventories	4,198	7,044	6,734	9,149
Trade and other receivables	1,167	3,161	4,429	14,407
Prepaid lease payments	21	23	22	23
Related parties	148	480	-	-

receivables				
Pledged bank deposits......	143	-	-	-
Bank balances and cash ...	1,875	4,014	11,435	9,674
	7,552	14,722	22,620	33,253
Current liabilities				
Trade and other payables	1,534	2,594	2,210	3,132
Advance from customers	1,424	1,096	3,582	4,442
Income tax payable	167	517	672	830
Bank borrowings.............	3,060	3,498	4,034	4,166
	6,185	7,705	10,498	12,570
Net current assets	1,367	7,017	12,122	20,683
Total assets less current liabilities	12,904	19,298	24,130	32,274
Non-current liability	-	-	-	-
Net asset..........................	12,904	19,298	24,130	32,274
Capital and reserves				
Share/paid-in capital	41	41	41	41
Reserves..........................	12,863	19,257	24,089	32,233
Total equity.....................	12,904	19,298	24,130	32,274

Source: Consolidated Financial Statements

Selected consolidated statements of cash flow data

	31 December			**30 June**	
	2010	**2011**	**2012**	**2012**	**2013**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
		(audited)		**(unaudited)**	
Operating activities					
Profit before tax	4,823	9,456	13,527	6,829	8,501
Adjustments for:					
Finance cost	118	169	247	116	125
Interest income	(15)	(31)	(35)	(20)	(90)
Depreciation of property, plant and equipment...........	832	869	961	475	666
Amortization of prepaid lease payments	21	21	23	11	11
Amortization of investment properties	44	44	48	24	24
Amortization of other deferred assets...................	69	125	196	98	98
(Gain) loss on disposal of property, plant and equipment..........................	(32)	10	-	-	-
Operating cash flows before movements in working capital	5,860	10,663	14,967	7,533	9,335
(Increase) decrease in	(944)	(2,846)	310	(3,766)	(2,415)

inventories.........................					
(Increase) in trade and other receivables	(464)	(1,994)	(1,268)	(1,104)	(9,978)
(Increase) decrease in related parties receivables	(148)	(332)	480	409	-
Decrease in pledged bank deposits	469	143	-	-	-
(Increase) in other deferred assets....................	(558)	(272)	-	-	-
Increase (decrease) in trade and other payables.....	(58)	1,060	(384)	8	922
Increase (decrease) in advance from customers.....	520	(328)	2,486	6,876	860
(Decrease) in related parties liabilities................	(36)	-	-	332	-
Cash generated from / used in operations	4,641	6,094	16,591	10,288	(1,276)
Income taxes paid	(612)	(951)	(1,991)	(916)	(1,118)
NET CASH FROM / USED IN OPERATING ACTIVITIES	4,029	5,143	14,600	9,372	(2,394)
Investing activities					
Interest received................	15	31	35	20	90
Purchase of property, plant and equipment..........	(2,331)	(707)	(1,184)	(1)	-
Prepayment on prepaid lease payments	(26)	-	-	-	-
Proceeds on disposal of property, plant and equipment..........................	150	54	-	-	-
NET CASH FROM / USED IN INVESTING ACTIVITIES	(2,192)	(622)	(1,149)	19	90
Financing activities					
Interest paid.......................	(118)	(169)	(247)	(116)	(125)
Dividends paid	(1,124)	(3,207)	(6,267)	(6,267)	-
New bank loans raised	3,916	3,166	4,094	-	-
Repayment of borrowings	(3,249)	(2,988)	(3,484)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(575)	(3,198)	(5,904)	(6,383)	(125)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS...............	1,262	1,323	7,547	3,008	(2,429)
Less: Exchange difference	293	816	(126)	589	668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR ...	320	1,875	4,014	4,014	11,435

		CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances .... 1,875 4,014 11,435 7,611 9,674 *Source: Consolidated Financial Statements*
B.8	***Selected key pro forma financial information***	*Not applicable. The Prospectus does not include pro forma financial information.*
B.9	***Profit forecast***	*Not applicable. The Issuer does not publish profit forecasts or estimates.*
B.10	***Historical audit report qualifications***	*Not applicable, there are no such qualifications.*
B.11	***Working capital statement***	*The Company believes that the Group's working capital is sufficient for the Group's present requirements; that is: for at least twelve months following the date of this Prospectus.*
	Section C – Securities	
C.1	***Type and class Security identification number***	*In the Offering conducted on the basis of the Prospectus, the Company is offering up to 4,000,000 of its ordinary shares with a nominal value of EUR 1 per share. All of the Company's shares have been assigned ISIN code: NL0010577052.*
C.2	***Currency***	*The Shares are denominated in Euro. However, all monetary amounts used in connection with the Offering, particularly, the Offer Price, will be stated in Polish zloty. In particular, the book-building process will be carried out on the basis of subscription prices in Polish zloty.*
C.3	***Number of shares issued, par value per share***	*The Company has an authorised share capital of EUR 50,000,000 consisting of 50,000,000 ordinary shares with a nominal value of EUR 1 each. The Company currently has an issued share capital of EUR 12,000,000, consisting of 12,000,000 shares with a nominal value of EUR 1 each, all of which are fully paid up.*
C.4	***Rights attached to the Offer Shares***	*Each Shareholder is entitled to attend the General Meeting, to address the General Meeting and to exercise voting rights pro rata to its shareholding, either in person or by proxy. Each Shareholder may cast one vote per Share held.* *In the event of an issue of Shares, shareholders have a pre-emption right in proportion to the aggregate nominal value of their Shares. Shareholders have no pre-emption right in respect of: (i) the issue of Shares issued against non-cash contribution; or (ii) the issue of Shares to employees of the Group. The General Meeting may resolve to limit or exclude the pre-emption rights, which resolution requires, if less than one-half of the issued share capital is represented at the General Meeting, a majority of at least two-thirds of the votes cast.* *The General Meeting may designate the Management Board as competent to limit or exclude the pre-emption rights. This designation may only be granted if the Management Board has also been designated (or is simultaneously designated) as the body authorised to resolve to issue Shares. This designation may be granted for a maximum period of five years, may be extended from time to time for a maximum of five years, and applies only for so long as the designation to resolve to issue Shares is in force. A resolution of the Management Board to restrict or exclude the pre-emption rights is subject to the approval of the Supervisory Board.* *The General Meeting or the Management Board, as the case may be, with the approval of the Supervisory Board, may determine the manner in which and the period during which the pre-emption right may be exercised when passing the resolution to issue Shares. A notice of an issue of Shares in respect of which there is a pre-emption right,*

		and the period during which the pre-emption right can be exercised, must be published (i) simultaneously in the State Gazette (Staatscourant) and in a nationally distributed daily newspaper, and (ii) in such a manner as the Management Board, subject to the approval of the Supervisory Board, deems fit. The pre-emption right may be exercised during a period of at least two weeks after the day of publication in the State Gazette. *The Company may make distributions to the Shareholders and other persons entitled to distributable profits only to the extent that its equity exceeds the sum of the amount of the paid-in and called up share capital plus the reserves which must be maintained under Dutch law or the Articles of Association.* *The balance of the Company's assets remaining after all liabilities have been paid will be distributed between the Shareholders pro rata to the aggregate amount of their holdings of Ordinary Shares.*
C.5	***Restrictions on free transferability of the securities***	*Dutch law includes, inter alia, the following regulations restricting free transferability of the securities:* • *A person that acquires 30% or more of the voting rights of a Dutch company whose shares are admitted to trading on a regulated market must make a public offer for the remaining shares of that company.* • *It is prohibited to launch a public offer for shares of a listed company unless an offer memorandum has been approved by the AFM or another competent supervisory authority. A public offer is launched by way of publication of the approved offer memorandum.* • *Any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.* • *Each person whose holding of capital interest or voting rights amounts to 5% or more of the Company's issued and outstanding share capital at the settlement of the Offering must notify the AFM of such holding without delay.* • *Any person with a capital interest or voting rights in the Company of at least 3% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from December 31 at 24:00 hours.* • *Each person holding a net short position attaining 0.2% of the issued share capital of a Dutch listed company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported.* • *Any dealings in or from the Netherlands in the shares and other financial instruments the value of which is (co)-determined by the value of the shares (including dealings by the Company itself) are subject to the provisions of the Wft with respect to insider trading, market manipulation and other market abuse rules. It is prohibited for any person to make use of inside information within or from the Netherlands by conducting or effecting a transaction in the Company's securities.* *Polish law includes, inter alia, the following regulations restricting free transferability of the securities:* • *An acquisition of shares in a public company in a number resulting in increasing the aggregate number of votes by more than: (i) 10% of the total number of votes within less than 60 days by an entity whose share in the total number of votes was lower than 33%; (ii) 5% of the total number of votes within less than 12 months by an entity whose share in the total number of votes was higher than 33%, may only be effected by announcing a tender offer for the sale or exchange of such shares in the number not lower than 10% or 5%, respectively.*

		A shareholder may exceed 33% of the total vote in a public company only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares. *As a general rule, a shareholder may exceed 66% of the total vote in a public company only as a result of a tender offer to sell or exchange the remaining shares in the company.* *Under the Polish Public Offerings Act, any entity who: (a) has achieved or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total vote in a public company; or (b) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50% 75% or 90% of the total vote in a public company, and as a result of a reduction of its equity interest holds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% or less of the total vote, respectively — is obliged to notify the PFSC and the company of the fact.* *The Act on Trading prohibits the use of inside information in trading in securities.* *Pursuant to the Act on Trading during the restricted periods certain persons who have access to level one confidential information are prohibited from participating in certain activities either on their own account or on behalf of a third party, including acquiring or disposing of the issuer's shares.*
C.6	***Listing and admission to trading***	*The Shares have not been and are not traded on any regulated market. The Company intends to make an application to the WSE for the admission of all of the Listing Shares (including the Offer Shares) to trading on the main market segment of the regulated market on the WSE.*
C.7	***Dividend policy***	*The declaration and payment of future dividends will depend on the Group's operating results, financial condition, other cash requirements including capital expenditure, the terms of borrowing arrangements (if any) and other factors deemed relevant by the Directors. Final dividends paid by the Company must be approved by an ordinary resolution of the Company's shareholders at a general meeting and must not exceed the amount recommended by the Directors. The Directors may, without the approval of the Company's shareholders, also declare an interim dividend. The Group must pay all dividends out of profits.* *The Company has not declared or paid any dividends since its establishment in 2013.* *Future dividend payments will also depend on the availability of dividends from the Group's operating subsidiary) in the PRC. PRC law requires that dividends are paid only out of a company's net profit calculated according to PRC accounting principles, which differ in certain respects from IFRS. Under the Company Law of the PRC and other relevant PRC laws, a foreign-invested enterprise is also required to transfer at least 10% of its net profit (after offsetting any prior years' losses) to a statutory reserve until the balance of that reserve reaches 50% of the registered capital of the enterprise. The transfer by the entity to its reserve must be made before the distribution of dividends to its equity holders. Distributions from the Group's PRC operating subsidiary) may also be restricted (i) if they incur losses or (ii) in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group or its PRC operating subsidiaries may enter into in the future.* *The Management Board intends for the Company not to pay the dividend in 2013 due to the current and planned investment needs. Subject to provision of law and financial conditions and depending on the proceeds from the Offering and the Group's investment plan, the Management Board intends for the Company to distribute the following dividend levels in the following years:* *10% of the distributable net profit for 2013;*

		10-30% of the distributable net profit for 2014 and 2015; *up to 50% of the distributable net profit for 2016 and later.* *The dividend policy will be reviewed from time to time and payment of any future dividends will be effectively made at the discretion of the Management Board and the Shareholders' Meeting after taking into account the Company's earnings, cash flow, financial condition, capital investment requirements and other factors.*
	Section D – Risks	
D.1	***Risks specific to the Company and the industry in which it operates***	*The success of the business depends on the condition and growth of the PRC and worldwide consumer market for sanitary products, which, in turn, is related to Chinese and worldwide economic conditions and individual income levels in the PRC and other markets and their impact on levels of consumer spending. Any future slowdowns or declines in the PRC or worldwide economy or consumer spending may materially and adversely affect the Group's business, financial condition and results of operations.* *General consumer sentiment and trend changes could adversely affect the Company's business. Consumer products are the growth driver for the Company's machinery business. When the consumer products are negatively impacted, the machinery business upstream may suffer accordingly.* *Changes in demographic trends could adversely affect the Company's business. The changes of demographic trends in the PRC and worldwide may affect the demand for sanitary daily-use products which in turn may affect the demand for the Group's products.* *Changes in the PRC's political and economic policies could have a material adverse effect on the business operations of the Group. The Group's operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions and on currency conversion.* *Failure to comply with PRC laws and regulations or any changes thereto may have a material adverse effect on the Group. There can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require the Group to incur material capital expenditures or other obligations or liabilities.* *Restrictions might be imposed on foreign control of PRC companies. There can be no assurance that the PRC government will not toughen its stance on foreign investors and that the regulations related to control of companies engaged in the machinery sector will not change. Should the machinery industry be, in particular, subjected to restrictions or prohibitions, the Company may be forced, in particular, to sell all or part of its shares in its Chinese subsidiaries or restructure its business in PRC in another way, which could have material adverse effects on the business, financial condition and results of operations of the Group.* *PRC M&A provisions may have a material adverse effect on the group's business. The Group believes that the M&A Provisions do not apply to the Group. However, it cannot be excluded that the PRC authorities will take an opposite view and require respective approvals in connection with the corporate structuring or in connection with the listing*

		of the Company's shares. It cannot be ruled out that the PRC authorities will ultimately refuse to grant such approvals. If an approval was required and as long as such approval has not been granted the PRC authorities could prevent profits from being distributed by Fujian Peixin and/or Quanzhou Peixin to Peixin International BVI and to the Company and/or loans from being granted by the Company to Fujian Peixin and Quanzhou Peixin. *The State Administration of Foreign Exchange (the "SAFE") regulations relating to offshore investments by PRC residents or passport holders, may adversely affect the Group's business operations and financing alternatives. The Company believes that these regulations do not apply to the Company or to the Majority Shareholder. However there is a risk that the PRC authorities may treat the Majority Shareholder as a PRC resident and consequently he may be affected by the registration requirements imposed by SAFE Notice 75. The failure or inability to receive such approval could subject the Group or Majority Shareholder to fines and other legal sanctions, restrict the Company's intended investments, or limit Fujian Peixin and/or Quanzhou Peixin and the Group's ability to make distributions or pay dividends to the Company and could otherwise have material adverse effects on the business, financial condition and results of operations of the Group.* *PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent the Group from using the proceeds of the Offering. Any loans by an offshore parent company to a foreign invested company in the PRC held (directly or indirectly) by it are subject to approvals and registration requirements and must be within the margin between each of their total investment amounts and registered capital. There can be no assurance that the Group will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Company to Fujian Peixin or Quanzhou Peixin.* *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* *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.* *Statements concerning the Group's competitive position in the machinery market and the assumptions and expectations regarding this market's development underlying the Issuer's strategy and investment plan are based on the Issuer's own beliefs, analyses and assessments which may prove incorrect. Should they prove to be incorrect, it could result in the current investment plan being overestimated or some adjustments to its scope or timing may be required.* *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.* *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 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.* *The Group depends on certain key personnel. The Group cannot guarantee that it will be able to retain its key personnel. The loss of any key personnel without adequate replacement could have a material adverse effect on the Group's business, financial condition and results of operations.* *The Group's future success depends on recruiting and retaining qualified mid–level personnel. The Group may not be successful in finding suitable replacements for any mid-level personnel who leave the Group or may have to incur substantial time and expenses to compensate for such losses. If the Group is unable to recruit such qualified personnel, this could have a material adverse effect on the Group's business, financial condition and results of operations.* *The Management Board has limited experience with the legal requirements for listed companies. Should the Company fail to comply with its post-listing obligations, it may be subject to material sanctions and penalties as set forth under Polish or Dutch law or be otherwise detrimental to the Company or investors.* *The Company's Supervisory Board may have difficulties adequately supervising the Management Board, in particular as the non-Dutch members of the Supervisory Board may have only limited experience in fulfilling their obligations arising from Dutch corporate requirements. Any lack of supervision by the Supervisory Board may have material adverse effects on the business, financial condition, and results of operations of the Group.* *The Company's CEO, Mr Qiulin Xie, is also its principal shareholder who will be able to exercise control over the Company, and his decisions may not always be in the best interest of the minority shareholders or the Company. The principal shareholder's control of the Company could delay, deter or prevent acts that the minority shareholders may favour, such as hostile takeovers, changes in control of the Company and changes in management. As a result of such actions, the price of the Shares could decline or the shareholders might not receive a premium for their Shares in connection with a change of control of the Company.* *Because the Company is a holding company, its ability to pay dividends depends on the ability of its subsidiaries to pay dividends and advance funds. The ability of the operating subsidiaries in the PRC to make dividend and other payments to Peixin International BVI is restricted by PRC laws and regulations. These regulations may restrict the amount of profit available for distribution from the operating subsidiaries, which could affect Peixin International BVI and the Company's liquidity and its ability to pay dividends.*

		The tax status of the Group or tax legislation or its interpretation might change. Any change in the Group's tax status or in taxation legislation or its interpretation, together with any resulting uncertainty, could have an adverse effect on the business, results of operations and financial position. *Group entities may become subject to PRC income tax on any future global income. If the PRC authorities view the Company or Peixin International BVI as a tax resident enterprise based on their assessment and determination according to the local practices and relevant tax regulation, the Company and/or Peixin International BVI would be subject to an enterprise income tax rate of 25% on the Group's worldwide income.* *If the PRC tax authorities recognise the Group as a PRC-resident enterprise, the Group's foreign Shareholders that are ''non-resident enterprises'' may become subject to the PRC's income tax at the rate of up to 10% as to the capital gains realised from sales of the Group's Shares by, and dividends distributed to, such foreign Shareholders as this income may be regarded as income from ''sources within the PRC,'' unless any such foreign Shareholder is qualified for a preferential income tax rate or tax exemption under a tax treaty or tax law, and the Group may be required to withhold such income tax on the dividends payable by the Group to such foreign Shareholders.*
D.3	***Risks specific to the Offer Shares***	*The Company may be unable to list its Shares on the WSE. The admission of the Shares to trading on the WSE requires completing certain actions required under Dutch and Polish law. There is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading and listed on the WSE on the date expected or at all.* *The Company cannot ensure that the marketability of the Shares will improve or remain consistent. The market price of the Shares at the time of the Offering may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control.*
Section E – Offer		
E.1	***Net proceeds and estimated expenses***	*Assuming that all the Offer Shares are subscribed for at the Maximum Offer Price , the net proceeds from the issuance of the Offer Shares are expected to be approximately EUR 21,350,000 after deduction of the costs of the Offering, including approximately EUR 650,000 in commissions and fees payable to the Lead Manager. The Company expects that other costs of the Offering (excluding the commissions and fees for the Lead Manager which depend on the gross proceeds from the Offering) will amount to approximately EUR 1,580,000.*
E.2a	***Reasons for the Offering, estimated net proceeds and use of proceeds***	*The Group intends to use the net proceeds it receives from the Offering for the following purposes:* • *approximately 40% will be used to purchase land within the second phase of investment.* • *approximately 25% will be used to construct a new production facility within the second phase of investment.* • *approximately 25% will be used to purchase machinery and equipment within the second phase of investment.* • *approximately 10% will be used for research and development operations as well as building improvement.*

E.3	***Terms and conditions of the Offering***	*Based on this prospectus up to 4,000,000 bearer shares of the nominal value of EUR 1 are being offered. The Offering consists of primary shares only. The Offering consists of a public offering to: (i) institutional investors in the Republic of Poland (the "Polish Institutional Offering") and (ii) retail investors in the Republic of Poland (the "Retail Offering"). Parallel to the Offering there might be performed limited private placement to International Institutional Investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), in each case in accordance with applicable securities laws. There will be no public offering outside of the Republic of Poland. In particular, there will be no public offering of the Offer Shares in the Netherlands.* *On 9 September 2013 the General Meeting inter alia designated the Management Board as the corporate body authorized, subject to approval of the Supervisory Board, (i) to launch the Offering and to issue up to 4,000,000 Shares to facilitate the Offering, (ii) to set the Maximum Offer Price, (iii) to set the Offer Price and the final number of Offer Shares to be offered, and (iv) in connection with the Offering and the issue of the Offer Shares, to exclude the statutory pre-emptive rights of holders of Shares. As contemplated by this resolution of the General Meeting, on 10 September 2013 the Management Board, with the approval of the Supervisory Board granted on 13 September 2013, approved the launch of the Offering, the issue of up to 4,000,000 Shares in connection with the Offering, and, in connection with the Offering and the issue of the Offer Shares, the exclusion of the statutory pre-emptive rights of holders of Shares.* *On 11 September 2013, the Management Board set the Maximum Offer Price at PLN 25 per Offer Share and the maximum number of Offer Shares to be issued at 4,000,000. The Offer Shares may be acquired by the Retail Investors and Institutional Investors. At the date of this Prospectus there is no fixed split of the Offer Shares that will be allocated to each category of investors, however it is expected that Retail Investors will be allocated approximately 20% of the Offer. The Management Board in consultation with the Lead Manager will determine the Offer Price and the final number of Offer Shares to be offered and the final number of the Offer Shares to be offered to Retail Investors. The Offer Price, the final number of Offer Shares to be offered and the final number of the Offer Shares to be offered to Retail Investors will be announced on the Pricing Date on the Company's website at www.peixin.com and the Lead Manager's website at www.dm.pkobp.pl.* *The timetable below lists key dates relating to the Offering. All times and dates referred to in this timetable are based on Warsaw time:* *18 September to 25 September 2013* — *Subscription period for Retail Investors* *18 September to 26 September 2013* — *Book-building process among Institutional Investors* *27 September 2013* — *Announcement of the Offer Price and the final number of Offer Shares and final number of Offer Shares to be offered to Retail Investors* *27 September to 1 October 2013* — *Subscription period for Institutional Investors* *No later than 2 October 2013* — *Allocation of the Offer Shares among investors and issuance of the Offer Shares (Allotment Date)*

		No later than one business day prior to commencement of trading of the Listing Shares — *Delivery of the Offer Shares to Investors and closing of the Offering* *On or about 10 October 2013* — *Commencement of trading of the Listing Shares on the WSE (Listing Date)* *The Company, in agreement with Lead Manager, may decide to change certain of the above dates. Any such changes will be announced publicly in the same manner as the Prospectus was published. In addition, if such changes constitute a material factor affecting an investor's evaluation of the Offer Shares, the Company would file a supplement to this Prospectus with the AFM. A change to the dates of the Offering will not constitute a withdrawal of the Offer. The Offer Price will not be set at higher than the Maximum Offer Price, which is PLN 25.* *During a book-building process Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price which they will be willing to pay for the Offer Shares. The Retail Investors will not participate in the book-building process.* *The Offer Price, which may be equal to or less than the Maximum Offer Price, will be determined by the Company in consultation with the Lead Manager on the Pricing Date. When determining the Offer Price, the Company and the Lead Manager will look primarily to the subscription declarations submitted by Investors during the book-building process.* *The Offer Price will be the same for both Retail Investors and Institutional Investors.* *The final number of the Offer Shares to be offered will be determined by the Company in consultation with the Lead Manager.* *The Offer Price and the final number of Offer Shares will be announced on 27 September 2013 in the same manner as the Prospectus was published (i.e. will be published on the website of the Company www.peixin.com and of the Lead Manager www.dm.pkobp.pl) and will be filed with the AFM.*
E.4	***Interests material to the Offering (including conflicting interests)***	*Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział Dom Maklerski PKO Banku Polskiego w Warszawie, ul. Puławska 15, 02-515 Warsaw, Poland will be acting as the Lead Manager, the Sole Bookrunner and the Offering Agent. The Lead Manager is responsible for the coordination of work necessary to prepare and conduct the Offering.* *The Lead Manager's fee is closely related to the proceeds of the sale of the shares. In connection with the Offering, the Lead Manager provides services to the Company, as well as performs other tasks that are typically performed by investment companies under public share offerings. The Lead Manager does not hold any material interests in the Company. In particular, on the date of this Prospectus it did not hold any shares of the Company.* *In connection with the Offering, legal services to the Lead Manager are provided by Weil, Gotshal & Manges – Paweł Rymarz Spółka komandytowa with its registered office in Warsaw at ul. Emilii Plater 53 as to matters of Polish law ("Weil"). The remuneration of Weil does not depend on the proceeds from the issuance of the Offer Shares. In addition, Weil has been rendering and may render to the Lead Manager legal services with respect to their activities under the relevant agreements for the provision of legal advisory services.* *In connection with the Offering, legal services to the Company are provided by Allen & Overy, A. Pędzich sp.k., with its registered office in Warsaw at Rondo ONZ 1, 00-124 Warsaw, Poland, with respect to Polish law and Allen & Overy LLP, Apollolaan 15, 1077 AB Amsterdam, PO Box 75440, Amsterdam, 1070 AK, Netherlands with respect Dutch law (together "Allen & Overy"). The remuneration of Allen & Overy is not linked to the amount of the proceeds from the Offering. Allen & Overy has been*

		rendering and may render to the Company legal services with respect to their activities under the relevant agreements for the provision of legal advisory services. *Furthermore, in connection with the Offering, legal services to the Company are provided by Trend Law Firm, Unit 13A-C, World Plaza, No.855 South Pudong Road, Shanghai 200120 P.R.China ("Trend"). The remuneration of Trend is not linked to the amount of the proceeds from the Offering. Trend has been rendering and may render to the Company legal services with respect to their activities under the relevant agreements for the provision of legal advisory services.*
E.5	***Person or entity offering to sell the securities and lock-up arrangements***	*Each of the Company and Mr Qiulin Xie, its principal shareholder, agreed that, without the written consent of the Offering Agent (which may be granted on a discretionary basis), they will not, nor will any of their affiliates over which they exercise control or voting power, or person acting on their behalf, during the 360 days period after the commencement of trading of the Listing Shares on the WSE, issue, pledge, offer, sell, transfer or otherwise dispose of, or publicly announce the proposed issuance, sale, offering or disposal of, any Company's shares or other equity securities or securities linked to the Company's share capital or take any actions aimed at or resulting in the issuance of any of the Company's shares, or enter into a derivative transaction that transfers the economic consequences of the ownership of Company's shares or enter into transactions which may result in the issuance, offering, sale or disposal of securities linked with the Company's shares. In addition, the Company's minority shareholders: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited, have each undertaken the same lock-up commitment except that it will last for 180 days after the commencement of trading of the Listing Shares on the WSE, unless the Offering Agent, acting on a discretionary basis, grants a prior written consent releasing them from the lock-up commitment.*
E.6	***Dilution***	*The table below illustrates dilution of the existing shareholders in the Company after the Offering assuming that the maximum number of the Offer Shares is issued and subscribed by investors other than the existing shareholders:*
E.7	***Estimated expenses charged to the investors by the Company***	*Investors will not bear any additional costs or taxes in filing subscriptions, except for retail investors who may incur costs associated with opening and maintaining a securities account and any broker's commission payable to the entity accepting such order.*

Shareholder	**% in the share capital before the Offering**	**% in the share capital after the Offering**
Qiulin Xie (Principal Shareholder)	87.5%	65.6%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)...	5%	3.7%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)...	5%	3.7%
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)..	2.5%	1.8%
Other..	-	25%
Total..	100%	100%

RISK FACTORS

Investing in the Offer Shares involves a high degree of risk. Potential investors should carefully consider the risks and uncertainties described below together with all of the other information in this Prospectus before deciding to invest in the Offer Shares. If any of the events or developments and risks described below actually occurs, the Group's business, financial condition, prospects or results of operations could be materially adversely affected. In that event, the value of the Offer Shares could decline and investors could lose all or part of the value of their investments.

Although the Group believes that the risks and uncertainties described below are the risks and uncertainties which the Group currently considers to be material for the Group, these are not the only risks the Group faces. Additional risks and uncertainties not presently known to the Group, or that the Group currently deems immaterial, may also have a material adverse effect on the Group's business, financial condition, prospects or results of operations and could adversely affect the price of the Offer Shares.

Before making an investment decision with respect to the Offer Shares, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the entire Prospectus including the risks associated with an investment in the Offer Shares. Any investment decision should also be considered in light of the prospective investor's personal circumstances.

Risk factors relating to the Chinese and global economy

The success of the business depends on the condition and growth of the PRC and worldwide consumer market for sanitary products, which, in turn, is related to Chinese and worldwide economic conditions and individual income levels in the PRC and other markets and their impact on levels of consumer spending. Any future slowdowns or declines in the PRC or worldwide economy or consumer spending may materially and adversely affect the Group's business, financial condition and results of operations.

The Group derives its turnover from sales of its manufacturing equipment in the PRC and outside China. The success of the business depends on the condition and growth of the PRC and worldwide consumer market for sanitary products, which, in turn, is related to Chinese and worldwide economic conditions and individual income levels in the PRC and other markets and their impact on levels of consumer spending. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, GDP level, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level, demography and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue or that projected growth rates of the PRC economy and the PRC consumer market, including those described in the section headed "*industry overview*", will be realised. There can also be no assurance as to the growth rates on other markets where the Group operates. Any future slowdowns or declines in the PRC or worldwide economy or consumer spending may materially and adversely affect the Group's business, financial condition and results of operations.

General consumer sentiment and trend changes could adversely affect the Company's business. Consumer products are the growth driver for the Company's machinery business. When the consumer products are negatively impacted, the machinery business upstream may suffer accordingly.

Consumers, both domestic and overseas, may have switched to a saving's mode under the economic pressure from the global or local economy. This may lead to less consumption of disposable products. Consumer products are the growth driver for the Company's machinery business. When the consumer products are negatively impacted, the machinery business upstream may suffer accordingly.

Similarly, consumer preferences may also lead to changes in consumer behaviour, which could have material adverse effects on the business, financial condition and results of operations of the Group.

Changes in demographic trends could adversely affect the Company's business. The changes of demographic trends in the PRC and worldwide may affect the demand for sanitary daily-use products which in turn may affect the demand for the Group's products.

The changes of demographic trends in the PRC and worldwide may affect the demand for sanitary daily-use products which in turn may affect the demand for the Group's products. For example, a decrease in the level of newborns in the PRC or worldwide may affect the demand for some of the Group's products (such as baby diapers machinery). This may adversely affect the Group's business, financial condition and results of operations.

Risk factors related to conducting business in the PRC

Changes in the PRC's political and economic policies could have a material adverse effect on the business operations of the Group. The Group's operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions and on currency conversion.

The entire operational business of the Group is conducted and a significant part of its revenue is generated in China. Accordingly, the Group's business, financial condition, results of operations and prospects depend significantly on the economic, political and legal environment and other developments in China. Investors should thus be aware that the Group's operations are subject to greater risk than operations in more developed markets, including significant legal, economic and political risks. Moreover, emerging economies like China are subject to rapid change and the information set out herein may therefore become outdated quickly. Investments in emerging markets or in companies that operate in emerging markets are generally exposed to additional risks.

PRC's economy differs from the economies of most developed countries in many respects, including, but not limited to, structure, level of government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources and trade balance position.

PRC's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of the PRC State ownership of productive assets and the establishment of sound Corporate Governance in business enterprises. However, the PRC Government continues to play a significant role in regulating industry development, the allocation of resources, production, pricing and management, and there may be some uncertainty that the PRC Government will continue to pursue a policy of economic reform.

Although political conditions in China seem to be generally stable, changes may occur in its political system which might affect the ownership or operation of the Group's interests. A material change in China's economic liberalisation triggered by political disruptions or by other means could impact the country's economic growth in general and the Group's business in particular. Any such developments could have material adverse effects on the business, financial condition and results of operations of the Group.

The Group may not in all cases be able to capitalise on the economic reform measures adopted by the PRC Government. The Group's operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions and on currency conversion.

Certain facts, forecasts and other statistics regarding China, China's economy and the market for sanitary products in this prospectus are derived from official government publications and may not be reliable. Due to possibly flawed or ineffective collection methods or discrepancies between published information and

market practice and other problems, such statistics may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon.

Certain facts, forecasts and other statistics in this prospectus relating to China, China's economy and the sanitary products market have been derived from official government publications generally believed to be reliable. However, the quality or reliability of such source materials is uncertain. They have not been prepared or independently verified and, therefore, no representation as to the accuracy or completeness of such facts, forecasts and statistics, which may not be consistent with other information, compiled within or outside China is made.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such statistics may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere.

In all cases, investors should give consideration to how much weight or importance they should attach to or place on such facts, forecasts or statistics derived from the official government publications and should not place undue reliance on any such information and statistics.

The PRC legal system is underdeveloped and contains inherent uncertainties and inconsistencies. Therefore, the enforcement of existing laws and regulations may be uncertain or inconsistent, and the interpretation of these laws and regulations may change from time to time. Any such event could have an adverse impact on the Group's business, financial condition and results of operations.

The PRC is still in the process of developing a comprehensive statutory framework and its legal system is still considered to be underdeveloped in comparison to legal systems in some western countries. In particular, PRC foreign investment laws and company law are less developed and confer less protection than those applicable to companies incorporated in some western countries, which could have an adverse impact on the Group's business, financial condition and results of operations. The PRC's legal system is based on written statutes. Prior legal decisions, guidance and judgments have limited precedential value and are sometimes inconsistent. Moreover, the PRC legal system sometimes contains inconsistencies between particular laws and regulations and their application may on some occasions depend on the discretion of the local authorities. Therefore, the enforcement of existing laws and regulations may be uncertain or inconsistent, and the interpretation of these laws and regulations may change from time to time. Any such event could have an adverse impact on the Group's business, financial condition and results of operations.

Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local governments, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. Depending on the government agency or how an application or a case is presented to such agency, the Group may receive less favourable interpretations of a law than its competitors. In addition, any litigation in the PRC may be protracted and result in substantial legal costs and a diversion of resources and management attention. Similarly, legal uncertainty in the PRC may limit the legal protection available to potential litigants. The occurrence of one or several of these risks could have material adverse effects on the business, financial condition and results of operations of the Group.

Failure to comply with PRC laws and regulations or any changes thereto may have a material adverse effect on the Group. There can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require the Group to incur material capital expenditures or other obligations or liabilities.

The Group is subject to extensive national and local governmental laws, regulations, policies and controls. For a general overview of Chinese legal regulations, see "*Legal Environment*". The mentioned provisions regulate, among others, the following aspects:

- Construction or development of new production facilities or rebuilding of existing production facilities;
- Environmental laws and regulations;
- Establishment of or changes in shareholders of foreign investment enterprises;
- Safety and health regulations;
- Foreign exchange;
- Taxes, duties and fees; and
- Land use rights.

The liabilities, costs, obligations and requirements associated with complying with these laws and regulations may have a material adverse effect on the Group's operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require the Group to incur material capital expenditures or other obligations or liabilities.

Moreover, the Group may not be able to comply with the relevant laws and regulations, or their changes, and the Group may not be able to comply with the terms of its permissions, use of land rights, or may not be able to obtain the required permissions or licences. This may expose the Group to the relevant sanctions, and in particular may result in the suspension of the Group’s operations or otherwise adversely and materially affect the Group's business, prospects, financial condition and results of operations.

In particular, the Group's operations and assets are subject to health, safety and environmental laws and regulations. The risks of substantial costs and liabilities related to these laws and regulations are an inherent part of the Group's business. These laws and regulations concern wastewater discharges, waste material handling and disposal, worker health and safety and the investigation and remediation of contamination. They also require the Group to obtain permits such as environmental permits. If the Group fails to comply with certain requirements of relevant environmental laws and regulations, it may be subject to orders requiring it to correct its noncompliance or cease operations that raise environmental concerns. If the Group fails to comply with the relevant safety, environmental and other laws and regulations, or fails to pass any safety or environmental impact inspection or evaluation, or if an accident occurs onsite or the Group is found to be responsible for a breach of safety or environmental regulations, this may have a material adverse effect on the Group's business, prospects, financial condition and results of operations. Moreover, any remedial measures the Group is required to adopt may be costly and may put constraints on the Group's financial resources.

The judiciary's lack of independence, limited experience and the difficulty of enforcing court decisions and governmental discretion in enforcing court orders could prevent the Group from obtaining effective remedies in court proceedings. Furthermore, the Group might be subjected to claims by competitors or other parties and may not be able to receive a fair hearing in the course of a respective trial or legal procedure.

China's judicial system may not be as independent or immune to economic, political and national influences as judicial systems in European jurisdictions. The court system in China is largely understaffed and under-funded. Since courts in China are financially dependent on the respective local governments, judges tend to favour the economic interests of the municipalities or provinces and the enterprises located in them. The independence of judges is further undermined by the fact that Chinese judges are only appointed for a limited period of time and may be dismissed during their term of office. Many older judges have not had any prior legal education. Courts in China are often inexperienced in the area of business law. Not all PRC legislation and court decisions are readily available to the public or organised in a manner that facilitates understanding. Enforcement of court orders can, in practice, be difficult in China.

Additionally, court decisions are often used in furtherance of political and commercial aims. The Group might be subjected to such claims by competitors or other parties and may not be able to receive a fair hearing in the course of a respective trial or legal procedure. Judicial decisions in China can also be unpredictable and may not provide effective remedies. These uncertainties also extend to property rights. Expropriation or nationalisation of any of the Company's PRC subsidiaries, their assets or portions thereof, potentially without adequate compensation, could have material adverse effects on the business, financial condition and results of operations of the Group.

There are difficulties in seeking recognition and enforcement of foreign judgments in China, therefore it may be difficult or impossible for investors to effect service of process or enforce judgments from courts of other jurisdictions against the Group or its assets, management personnel or directors in China.

The Group's assets are largely located in China and most of its management personnel and directors reside there. The Company is a holding company. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by some jurisdictions, including judgments obtained in relation to claims investors may make with regard to this Offering. Moreover, even in the case of existing treaties or arrangements providing for the recognition and enforcement of judgments made by courts of a particular jurisdiction, there is no guarantee that such judgment will be recognised in China. As a result, it may be difficult or impossible for investors to effect service of process or enforce judgments from courts of other jurisdictions against the Group or its assets, management personnel or directors in China.

Restrictions might be imposed on foreign control of PRC companies. There can be no assurance that the PRC government will not toughen its stance on foreign investors and that the regulations related to control of companies engaged in the machinery sector will not change. Should the machinery industry be, in particular, subjected to restrictions or prohibitions, the Company may be forced, in particular, to sell all or part of its shares in its Chinese subsidiaries or restructure its business in PRC in another way, which could have material adverse effects on the business, financial condition and results of operations of the Group.

As part of PRC's accession to the WTO in 2001, the PRC undertook to eliminate certain trade-related investment measures and to open up specified industry sectors that had previously been closed to foreign investment. However, foreign investors still encounter barriers in practice as some of the newly enacted or modified laws and regulations are enforced in an inconsistent manner by different authorities. Additionally, there can be no assurance that the PRC government will not toughen its stance on foreign investors and that the regulations related to control of companies engaged in the machinery sector will not change. The Ministry of Commerce (the "MOFCOM") and the State Development and Reform Commission (the SDRC) have issued the Foreign Investment Industry Guidance Catalogue which divides certain investment projects into three categories: encouraged, restricted and prohibited, with industries and sectors that are not mentioned, or listed, including the machinery producing sector the Group belongs to, deemed to be permitted. The Foreign Investment Industry Guidance Catalogue is regularly revised. It was last amended in 2011 and became effective in January 2012, and the next revision is expected to occur in the near future.

Should the machinery industry be, in particular, subjected to restrictions or prohibitions, the Company may be forced, in particular, to sell all or part of its shares in its Chinese subsidiaries or restructure its business in PRC in another way, which could have material adverse effects on the business, financial condition and results of operations of the Group.

PRC M&A provisions may have a material adverse effect on the group's business. The Group believes that the M&A Provisions do not apply to the Group. However, it cannot be excluded that the PRC authorities will take an opposite view and require respective approvals in connection with the corporate structuring or in connection with the listing of the Company's shares. It cannot be ruled out that the PRC authorities will ultimately refuse to grant such approvals. If an approval was required and as long as such approval has not been granted the PRC authorities could prevent profits from being distributed by Fujian Peixin and/or Quanzhou Peixin to Peixin International BVI and to the Company and/or loans from being granted by the Company to Fujian Peixin and Quanzhou Peixin.

On 8 August 2006, six PRC regulatory agencies, including the **MOFCOM** and the *China Securities and Regulatory Commission* (the "**CSRC**"), promulgated the *Provisions for the Acquisition of Domestic Enterprises by Foreign Investors* ("**M&A Provisions**") which came into effect on 8 September 2006 and were further amended by MOFCOM on 22 June 2009. The M&A Provisions provide, among others, that an offshore special purpose vehicle (the "**SPV**") which is formed by PRC legal entities and/or individuals for indirect listings and which directly or indirectly controls PRC companies must obtain the approval of CSRC prior to the listing and trading of its shares on an overseas stock exchange.

A number of requirements must be fulfilled in the course of an initial public offering, the violation of which may lead to regulatory actions or other sanctions from CSRC or other Chinese regulatory agencies. In addition to the provisions relating to foreign indirect listings, the M&A Provisions also stipulate that a domestic natural person or legal entity must obtain approval from MOFCOM before acquiring an affiliated domestic company via a foreign company established or controlled by such domestic natural person or legal entity.

Various transactions were concluded during the corporate restructuring of the Group prior to listing. The Group believes that the M&A Provisions neither apply to the direct transfer of the shares in Quanzhou Peixin to Peixin International BVI nor the direct investment in Fujian Peixin by Peixin International BVI nor the indirect share transfer to the Company nor to the initial public offering of the Company's shares, because Quanzhou Peixin was a foreign invested enterprise before the M&A Provisions came into effect and the establishment of Fujian Peixin in 2006 was a direct investment by a foreign company.

However, it cannot be excluded that CSRC will take an opposite view and require respective approvals in connection with the corporate structuring or in connection with the listing of the Company's shares. Furthermore, the acquisition of Quanzhou Peixin by Peixin International BVI may be deemed as a circumvention of the approval of MOFCOM (Article 11 of the M&A Provisions). In that case, the acquisition may need to be approved by MOFCOM and the Company may be required to apply for such consent. It cannot be ruled out that CSRC or the Ministry of Commerce will ultimately refuse to grant such approvals. If an approval was required and as long as such approval has not been granted, CSRC, the Ministry of Commerce or another competent government authority, could prevent profits from being distributed by Fujian Peixin and/or Quanzhou Peixin to Peixin International BVI and to the Company and/or loans from being granted by the Company to Fujian Peixin and Quanzhou Peixin. Any of these actions could have material adverse effects on the business, financial condition and results of operations of the Group.

The State Administration of Foreign Exchange (the "SAFE") regulations relating to offshore investments by PRC residents or passport holders, may adversely affect the Group's business operations and financing alternatives. The Company believes that these regulations do not apply to the Company or to the Majority Shareholder. However there is a risk that the PRC authorities may treat the Majority Shareholder as a PRC resident and consequently he may be affected by the registration requirements imposed by SAFE Notice 75. The failure or inability to receive such approval could subject the Group or Majority Shareholder to fines and other legal sanctions, restrict the Company's intended investments, or limit Fujian Peixin and/or Quanzhou Peixin and the Group's ability to make distributions or pay dividends to the Company and could otherwise have material adverse effects on the business, financial condition and results of operations of the Group.

In October 2005, SAFE issued a regulation regarding offshore investments by PRC residents, known as SAFE Notice 75, which requires PRC residents to register with and receive approval from SAFE in connection with certain offshore investment activities. The Company believes that Notice 75 does not apply to the Company or to the Majority Shareholder. However, the Majority Shareholder is a Canadian resident and a Chinese citizen and there is a risk that the relevant authorities may treat him as a PRC resident. Consequently, he may be affected by the registration requirements imposed by SAFE Notice 75. Furthermore, if the Majority Shareholder is required to make SAFE registrations under Notice 75, he will also be required to amend their SAFE registrations under certain circumstances, including on any further transfer of equity interests as well as any material change in the capital of the offshore company.

The failure or inability to receive such approval could subject the Group or Majority Shareholder to fines and other legal sanctions, restrict the Company's intended investments, or limit Fujian Peixin and/or Quanzhou Peixin and the Group's ability to make distributions or pay dividends to the Company and could otherwise have material adverse effects on the business, financial condition and results of operations of the Group.

PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent the Group from using the proceeds of the Offering. Any loans by an offshore parent company to a foreign invested company in the PRC held (directly or indirectly) by it are subject to approvals and registration requirements and must be within the margin between each of their total investment amounts and registered capital. There can be no assurance that the Group will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Company to Fujian Peixin or Quanzhou Peixin.

In utilising the proceeds of the Offering to finance the Group's business, the Company, as a holding company through Peixin International BVI., may make loans or additional capital contributions to Fujian Peixin and Quanzhou Peixin, the PRC indirect subsidiaries of the Company which qualify as foreign invested enterprises ("**FIE**") under PRC Law.

Any loans by an offshore parent company to a FIE held (directly or indirectly) by it are subject to approvals and registration requirements and must be within the margin between each of their total investment amounts and registered capital (e.g. the margin of Fujian Peixin: HKD 56,800,000 (total investment amount) - HKD 28,800,000 (registered capital) = HKD 28,000,000). Furthermore, loans to any FIEs have to be registered with SAFE or its local counterpart. In addition, if the Company finances its operating companies in China through additional capital contributions to Fujian Peixin or Quanzhou Peixin, the amount of these capital contributions must first be approved by the competent government authority.

There can be no assurance that the Group will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Company to Fujian Peixin or Quanzhou Peixin.

On 29 August 2008, SAFE promulgated Circular on Issues concerning Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises ("Notice No. 142"), a notice regulating a FIE's conversion of foreign currency in its capital account into Renminbi by restricting how the converted Renminbi may be used. Notice No. 142 prohibits the use of Renminbi converted from foreign capital to make equity investments in Chinese companies, unless the equity investment is within the approved business scope of the FIE and has been approved by SAFE, or has been "otherwise provided for”. In addition, SAFE increased its oversight of the flow and use of the registered capital of a FIE settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE's approval and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Notice No. 142 is applicable to FIE’s and is therefore not applicable to the Company itself, but only to Fuijan Peixin and Quanzhou Peixin (the Chinese subsidiaries of the Company).

In order to convert foreign capital into RMB, an FIE has to submit certain documentation to a designated foreign exchange bank, including: (i) documents certifying the proposed use of the converted RMB (such as agreements to purchase goods or services); (ii) the FIE’s foreign exchange registration card; (iii) the FIE’s latest capital verification report; (iv) A letter of payment order for RMB funds derived from its capital settlement; and (v) relevant evidence proving that the previous sum of RMB funds derived from its capital settlement has been used to make a payment in accordance with the payment order letter and a detailed list of its utilization. The bank will examine the materials for genuineness and compliance before making the conversion into RMB.

If the Chinese subsidiaries of the Company should not be able to provide the abovementioned consistent documentation, these entities may not be able to convert foreign currency in their capital account derived from the proceeds of the Offering into RMB for the use of funding their business expansion.

Pursuant to Notice No. 142, FIE’s may only use RMB converted from the net proceeds of this offering for activities within their respective approved business scopes, which mainly include “ the design, production and selling of machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products.” FIE’s are prohibited however from using converted RMB to make equity investments in the PRC or provide capital contributions to other PRC subsidiaries. Furthermore, N Notice No. 142 prohibits the purchase of domestic real estate using RMB converted from foreign capital other than for the foreign investment enterprise’s own use, unless the enterprise is a licensed real estate enterprise.

Violations of Notice No. 142 may result in severe penalties, including the confiscation of any income derived as a result of the violation and a fine up to 30% of the amount of the funds that were used in a noncompliant way. Depending on the extent of the violation, the fine may be raised to the full amount of the before mentioned funds. The Group may therefore not be able to use the proceeds of the Offering to invest, among other things, in Land Use Right and the construction of a new plant. If the Group fails to receive the necessary registrations or approvals, the ability to use the proceeds of this Offering and its ability to fund and expand the operational business in China could be adversely affected, which could have material adverse effects on the business, financial condition and results of operations of the Group.

Health epidemics and outbreaks of contagious diseases, including avian, swine and other new types of influenza or severe acute respiratory syndrome (SARS) could materially and adversely affect PRC’s economy. Since all of the Group’s operations and the majority of the Group’s direct suppliers, direct customers and trading companies are based in Asia, an outbreak of avian, swine flu or any other new type of influenza, SARS or other contagious diseases in the PRC, other places in Asia, or elsewhere, or the perception that such an outbreak could occur, as well as the measures taken by the governments of countries affected, could have material adverse effects on the business, financial condition and results of operations of the Group.

There have been outbreaks of the highly pathogenic avian influenza, or avian flu, in certain regions of Asia and Europe. In the past and in 2013, there were reports about the occurrence of avian flu in various parts of China, including some confirmed human cases. A major outbreak of avian, swine flu or any other new type of influenza in the human population could result in a widespread health crisis adversely affecting the economies and financial markets of many countries, particularly in Asia. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in 2003 which affected China and certain other countries in Asia, would also have similar adverse effects. Since all of the Group's operations and the majority of the Group's direct suppliers, direct customers and trading companies are based in Asia, an outbreak of avian, swine flu or any other new type of influenza, SARS or other contagious diseases in the PRC, other places in Asia, or elsewhere, or the perception that such an outbreak could occur, as well as the measures taken by the governments of countries affected, could have material adverse effects on the business, financial condition and results of operations of the Group.

Labour costs in PRC have risen significantly in recent years and could continue to rise significantly. Such increases in wages also affect the wages the Group must pay to remain an attractive employer. This could have a material adverse effect on the Group's business, financial condition and results of operations.

The entire workforce of the Group is located in China. Labour costs comprise wages, social security contributions and other welfare benefits. The average wage per capita of urban employees from the private companies in the PRC increased from RMB 28,752 in 2011 to RMB 46,769 in 2012, (net increase of 14% after deduction of CPI increase) (Source: *NBSC*). Such increases in wages also affect the wages the Group must pay to remain an attractive employer. In addition, new obligations imposed on employers and enhanced employee protection measures, such as restrictions on the dismissal of employees, and the requirement to pay a severance. This could have a material adverse effect on the Group's business, financial condition and results of operations.

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 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 particular in increasing its production capacity, the on-going development of new products and improvement of existing products. 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 as compared with 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.

Statements concerning the Group's competitive position in the machinery market and the assumptions and expectations regarding this market's development underlying the Issuer's strategy and investment plan are based on the Issuer's own beliefs, analyses and assessments which may prove incorrect. Should they prove to be incorrect, it could result in the current investment plan being overestimated or some adjustments to its scope or timing may be required.

Due to the specific nature of the daily-use machinery market, there is no third party analysis or detailed statistical data that the Group is aware of, referring to its size, development or competition present on that market. The Issuer's assumptions towards the development of the machinery market are mostly based on the performance of the daily-use hygiene product market. In the Issuer's opinion, development of the daily-use hygiene product market directly drives the machinery market. Furthermore, statements made in the Prospectus regarding the Group's competitive position are based on the Group's commercial knowledge concerning its products as well as the products of its domestic competitors and international manufacturers. Such statements are also supported by feedback received from the Group's clients. The issuers strategy, particularly the investment plan requiring significant capital expenditures and resulting in significantly increased production capacity, is somewhat based on the above assessments and judgments. If the Company's assumptions concerning the machinery market and its competitive position are incorrect, or if the market develops contrary to the Company's expectations, the assumed investment plan may prove to be overestimated and the Company may not be able to fully utilise its increased production capacity. 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.

Risk factors relating to the Group

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. (See "*Business of the Group – Strategy*").

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 realise 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 utilise its increased production capacity. Furthermore, a failure to implement the Group's strategy may also prevent the production capacity from being fully utilised. 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.

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.

In 2012, 4.7% of the Group's sales were in USD. 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. It should also be noted that the financial statements contained in this Prospectus for the periods under review and its future consolidated financial statements will be presented in EUR, while the Group's operating currency is RMB. A devaluation of the RMB versus the EUR would have an adverse currency translation effect on the Company's consolidated financial statements. As the value of the RMB is controlled by the PRC authorities, it is also possible that foreign exchange policies of the PRC government could have a significant impact on currency exchange rates.

Furthermore, the Company's proceeds from the Offering, which will be in PLN, may decrease in value if the currency rates change between the Offering and the conversion.

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

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

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. (See *Business of the Group – Investments*).

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.

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

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

Group fails to purchase additional raw materials, parts or components in a timely manner, the Group may fail to meet delivery deadlines and consequently may lose sales.

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

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

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

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

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

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

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

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

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 labour 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 characterised 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.

The Group's distribution network consists of 23 salesmen operating mainly in coastal areas of China, which generate substantially all of the Group's revenue. Domestically, the Group intends to extend its distribution coverage from the current coastal areas of China to other inland and economically growing regions, including the provinces of Chongqing, Henan, and Hunan. The Group also intends to intensively increase its direct presence in selected overseas markets such as India, Turkey and USA by increasing promotional efforts such as targeted advertising and participation in exhibitions to increase its ability to directly distribute its products to international customers. The Group cannot ensure that its selling efforts will be satisfactory and there can be no assurance that its marketing and development efforts will not prove costly or ineffective. Moreover, the Group may not be able to successfully deal with legal and regulatory conditions in foreign countries that are different from those in China, what may impact its international expansion. If the Group fails to expand or develop its sales network as planned or if it loses its best performing salesmen, the Group may not be able to meet its sales' targets, which may have a material and adverse impact on the Group's business, financial position and results of operations.

The Group may not be able to adequately protect its know–how and its intellectual property rights, which could adversely affect the Group's business operations. The Group cannot ensure that the measures it applies will be sufficient to prevent any misappropriation of the Group's intellectual property or know-how, or that the Group's competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on the Group's intellectual property.

To protect the Group's intellectual property rights, the Group was granted one patent for an invention and eight patents for utility model patents. The Group also holds two trademarks. The Group also takes other steps to protect its know-how. The internal R&D process is designed in a way that prohibits unauthorised access by third persons. Key employees are bound by non-compete agreements, new projects and solutions are stored on encrypted servers, external projects are supported by confidentiality agreements, and all rights to work results are granted exclusively to the Group on completion. However, the Group cannot ensure that these measures will be sufficient to prevent any misappropriation of the Group's intellectual property or know-how, or that the Group's competitors will not independently develop alternative technologies that are equivalent or superior to technologies based on the Group's intellectual property. The legal regime governing intellectual property in China is still evolving and the level of protection of intellectual property rights in China differs from those in other jurisdictions. In the event that the steps the Group has taken and the protection afforded by law do not adequately safeguard the Group's proprietary technology, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group might infringe upon third party patents and other intellectual property rights. Given that the exact determination of the scope of a patent, design patent, copyright or other intellectual property right can be very complex, the Group could become involved in intellectual property litigation. Any infringement of third-party patents or other intellectual property rights or any lawsuits relating thereto could have a material adverse effect on the Group's business, financial condition and results of operations.

There can be no assurance that the Group's products do not or will not infringe upon the intellectual property rights of third parties. The Group cannot guarantee that it does not and will not infringe third-party design patents or other intellectual property rights. The exact determination of the scope of a patent, design patent, copyright or other intellectual property right can be very complex. The Group could therefore become involved in intellectual property litigation. Intellectual property disputes, particularly patent disputes, can last a significant amount of time and require considerable personnel and financial resources. If the outcome of such legal dispute is not in the Group's favour, the Group could be ordered to pay substantial licence fees and other damages. Any infringement of third-party patents or other intellectual property rights or any lawsuits relating thereto could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group depends on certain key personnel. The Group cannot guarantee that it will be able to retain its key personnel. The loss of any key personnel without adequate replacement could have a material adverse effect on the Group's business, financial condition and results of operations.

The success of the Group's business will depend largely on its ability to retain its key personnel, in particular the Company's Management Board, whose business network and industry experience are of particular importance to the Group and middle management on whose know-how the Group largely depends.

The Group cannot guarantee that it will be able to retain its key personnel. The Group has entered into confidentiality and non–competition agreements with all of its management and technical staff. However, there can be no assurance that these measures will be sufficient and that these individuals will not move to the Group's competitors or form a competing company and compete with the Group for customers, business partners, and other key professionals at the Group using their experience and expertise.

The loss of any key personnel without adequate replacement could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's future success depends on recruiting and retaining qualified mid–level personnel. The Group may not be successful in finding suitable replacements for any mid-level personnel who leave the Group or may have to incur substantial time and expenses to compensate for such losses. If the Group is unable to recruit such qualified personnel, this could have a material adverse effect on the Group's business, financial condition and results of operations.

Competition for specialists is growing and well-educated specialists in the sector in which the Group operates may become difficult to find in China. Therefore, the Group may not be successful in finding suitable replacements for any mid-level personnel who leave the Group or may have to incur substantial time and expenses to compensate for such losses.

The Group's future success will depend, among others, on its ability to attract and retain qualified senior and mid-level management and qualified personnel, in particular for its R&D, production and sales sections, to develop and expand its operations. There can be no assurance, however, that the Group will be able to obtain the services of the personnel necessary for its growth and success, especially in light of the increasingly competitive labour market. If the Group is unable to recruit such qualified personnel, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Management Board has limited experience with the legal requirements for listed companies. Should the Company fail to comply with its post-listing obligations, it may be subject to material sanctions and penalties as set forth under Polish or Dutch law or be otherwise detrimental to the Company or investors.

The Management Board has limited experience in complying with the legal requirements for listed companies or Dutch or Polish Corporate Governance requirements. The majority of the Company's Board members reside in China, and they are not familiar with the market standards for listed companies in Poland, or the expectations of international investors.

The Group is not used to dealing with the increased legal, accounting, transparency and administrative requirements imposed on a publicly listed company. The obligation to comply with Polish and Dutch Corporate Governance requirements and post-admission obligations, in particular requirements relating to the publication of ad-hoc information, periodic reports as well as various other reporting, notification and publication obligations resulting from the listing will put increased demands on the Group's employees.

Should the Company fail to comply with its post-listing obligations, it may be subject to material sanctions and penalties as set forth under Polish or Dutch law or be otherwise detrimental to the Company or investors.

The Company's Supervisory Board may have difficulties adequately supervising the Management Board, in particular as the non-Dutch members of the Supervisory Board may have only limited experience in fulfilling their obligations arising from Dutch corporate requirements. Any lack of supervision by the Supervisory Board may have material adverse effects on the business, financial condition, and results of operations of the Group.

The Group's assets are mainly located in China. The Company is a holding company. The non–Dutch members of the Supervisory Board have only limited experience in fulfilling their obligations arising out of Dutch corporate law. The members of the Supervisory Board residing outside of China may have difficulties in fulfilling their statutory supervisory duties towards the management residing in China as a result of the physical distance to China, and language barriers. In addition, the members of the Supervisory Board have only limited experience with Dutch and Polish Corporate Governance requirements and its statutory reporting obligations. Any lack of supervision by the Supervisory Board may have material adverse effects on the business, financial condition, and results of operations of the Group.

The Company's CEO, Mr Qiulin Xie, is also its principal shareholder who will be able to exercise control over the Company, and his decisions may not always be in the best interest of the minority shareholders or the Company. The principal shareholder's control of the Company could delay, deter or prevent acts that the minority shareholders may favour, such as hostile takeovers, changes in control of the Company and changes in management. As a result of such actions, the price of the Shares could decline or the shareholders might not receive a premium for their Shares in connection with a change of control of the Company.

As of the date hereof, Mr Qiulin Xie holds 87.5% of the shares in the Company. Following the completion of this Offering and assuming placement of all of the Offer Shares, Mr Qiulin Xie will hold approximately 65.6%% of the issued and outstanding shares in the Company.

Mr Qiulin Xie will be able to use his majority voting power to exercise control over the Company's operations and business strategy, and will be able to significantly influence the Company's affairs and actions, including the following:

- matters requiring shareholder approval, such as the election of directors, mergers or acquisitions;
- the sale of all or substantially all of the Company's assets and other decisions affecting the Company's capital structure;
- amendment of the Company's articles of association;
- dissolution of the Company.

Dutch law does not provide minority shareholders with any right to proportional representation on the Board (equivalent to the "group voting" procedure under Polish law). The Principal Shareholder is also not restricted from increasing his ownership percentage in the Company in the future. The interests of the Principal Shareholder may conflict with the interests of the minority shareholders of the Company. The Principal Shareholder's control of the Company could delay, deter or prevent acts that the minority shareholders may favour, such as hostile takeovers, changes in control of the Company and changes in management. As a result of such actions, the price of the Shares could decline or the shareholders might not receive a premium for their Shares in connection with a change of control of the Company.

Because the Company is a holding company, its ability to pay dividends depends on the ability of its subsidiaries to pay dividends and advance funds. The ability of the operating subsidiaries in the PRC to make dividend and other payments to Peixin International BVI is restricted by PRC laws and regulations. These regulations may restrict the amount of profit available for distribution from the operating subsidiaries, which could affect Peixin International BVI and the Company's liquidity and its ability to pay dividends.

The Company is a holding company. Being a holding company, the Company’s ability to pay dividends depends on the ability of its subsidiaries to pay dividends and advance funds to the Company. The Group's assets are largely located in China. Current PRC regulations permit the payment of dividends only out of accumulated profits determined in accordance with Chinese accounting standards and regulations. In addition, the Company’s Chinese subsidiaries: Fujian Peixin and Quanzhou Peixin, constitute a foreign-invested enterprise (FIE) under PRC law and are required to set aside at least 10% of its after-tax profits each year to fund a statutory reserve fund until such reserves in aggregate reach 50% of its registered capital. Furthermore, FIEs may be required to set aside a portion of their after-tax profits to fund an employee welfare fund in an amount which falls within the discretion of the subsidiary's board. These reserves are not distributable as cash dividends.

The ability of the operating subsidiaries in the PRC to make dividend and other payments to Peixin International BVI is restricted by PRC laws and regulations, which permit the payment of dividends only out of accumulated profits, after making up prior-year losses and allocations to various non-distributable reserve funds, as determined in accordance with the generally accepted accounting principles in the PRC (the PRC GAAP) and applicable regulations. These regulations may restrict the amount of profit available for distribution from the operating subsidiaries, which could affect Peixin International BVI and the Company's liquidity and its ability to pay dividends.

Moreover, the determination of profit available for distribution under PRC GAAP may differ from profit determined in accordance with IFRS. As a result, it is possible that Peixin International BVI might not receive distributions from the operating subsidiaries, even if its IFRS financial statements indicate that its operations have been profitable.

Under PRC foreign exchange rules and regulations, payments of current account items, including profit distributions and operating-related expenditures, may be made in foreign currencies without prior approval but are subject to procedural requirements.

The Group cannot assure you that the PRC regulatory authorities will not impose restrictions on the convertibility of RMB or issue new rules and regulations or interpretations of its foreign exchange control laws, rules and regulations that will strengthen PRC foreign exchange control. There can be no assurance that the Group will be able to meet all of its potential future foreign currency obligations under PRC laws or to remit profits out of China. Should any of the PRC subsidiaries of the Company be, or become, restricted or legally prohibited from or unable to pay dividends or other distributions outside of China, this may affect the Company's ability to pay out dividends.

Furthermore, if the operating entities in the PRC, as PRC subsidiaries of the Group, incur additional debt on their own behalf in the future, the instruments governing the debt may restrict the operating entities’ ability to pay dividends or make other payments to the Group. Apart from raising debt and new equity, the Company’s liquidity primarily depends on dividends and other distributions paid by its subsidiaries. Should the subsidiaries of the Company be or become restricted to or legally prohibited from or unable to pay dividends or other distributions outside of China, this may affect the Company's ability to pay out dividends.

The Group's insurance coverage may not be adequate to cover all potential liability or losses. The Group may become subject to liabilities for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The occurrence of such an event could have a material adverse effect on the business, financial condition and results of operations of the Group.

Fujian Peixin – PRC operating subsidiary holds property insurance for its machinery and equipment and raw materials. However, other commercial insurance has not been taken out by Fujian Peixin or other entities within the Group. Additionally, natural disasters and other events outside our control could result in substantial losses and the inability to repair damages in a timely manner or at all, causing significant harm to the Group’s operations and profitability. Furthermore, the Group may become subject to liabilities for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The occurrence of such an event could have a material adverse effect on the business, financial condition and results of operations of the Group.

The tax status of the Group or tax legislation or its interpretation might change. Any change in the Group’s tax status or in taxation legislation or its interpretation, together with any resulting uncertainty, could have an adverse effect on the business, results of operations and financial position.

On January 1, 2008, the EIT Law became effective and imposed a tax rate of 25% on business enterprises.

The applicable standard enterprise income tax rate of Fujian Peixin is currently 25%. Since 9 November 2011, Fujian Peixin has obtained the “High and New Technology” certificate and the application for the High and New Technology tax deduction was approved in 2012, thus Fujian Peixin has been enjoying a low tax rate of 15% from 1 January 2012. This reduction expires on 31 December 2013 if Fujian Peixin fails to renew the “High and New Technology” certificate. There can be no assurance that Fujian Peixin will fulfil all the criteria and the certificate will be renewed.

Moreover, Peixin International BVI and the Company are holding companies and much of their income depends on dividends from their operating subsidiary in the PRC. Dividends distributed by the Group’s Chinese subsidiaries are subject to 10% WHT on dividends.

Any change in the Group’s tax status or in taxation legislation or its interpretation, together with any resulting uncertainty, could have an adverse effect on the business, results of operations and financial position.

The Group’s export business is also subject to custom duties. Should custom duties in any destination country increase, such increase may harm the pricing advantage of the Group’s products against its competitors’ products. The erosion of the Group’s pricing advantage, if significant, may adversely affect the Group’s export business in relevant markets.

Group entities may become subject to PRC income tax on any future global income. If the PRC authorities view the Company or Peixin International BVI as a tax resident enterprise based on their assessment and determination according to the local practices and relevant tax regulation, the Company and/or Peixin International BVI would be subject to an enterprise income tax rate of 25% on the Group’s worldwide income.

Under the New Enterprise Income Tax Law and its implementation rules, enterprises established outside the PRC with their de facto management bodies located within the PRC may be considered a PRC tax resident enterprise and subject to PRC enterprise income tax on their global income at the rate of 25%. Since most of the management of Peixin International BVI and the Company is currently located in the PRC, these entities may be subject to PRC income tax at the rate of 25% on their global income.

If the PRC authorities view the Company or Peixin International BVI as a tax resident enterprise based on their assessment and determination according to the local practices and relevant tax regulation, the Company and/or Peixin International BVI would be subject to an enterprise income tax rate of 25% on the Group’s worldwide income (including dividend income received from subsidiaries), which excludes the dividends received directly from another PRC tax resident.

Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to the PRC income taxes.

If the PRC tax authorities recognise the Group as a PRC-resident enterprise, the Group's foreign Shareholders that are ''non-resident enterprises'' may become subject to the PRC's income tax at the rate of up to 10% as to the capital gains realised from sales of the Group's Shares by, and dividends distributed to, such foreign Shareholders as this income may be regarded as income from ''sources within the PRC,'' unless any such foreign Shareholder is qualified for a preferential income tax rate or tax exemption under a tax treaty or tax law, and the Group may be required to withhold such income tax on the dividends payable by the Group to such foreign Shareholders.

Under the EIT Law and its implementation rules, any gain realised by ''non-resident enterprises'' is subject to PRC income tax at the rate of up to 10% to the extent such gain is sourced within the PRC and: (i) such ''non-resident enterprise'' has no establishment or premises in the PRC; or (ii) it has an establishment or premises in the PRC, but its income sourced within the PRC has no real connection with such establishment or premises, unless otherwise exempted or reduced by tax treaties. In accordance with art 7 of the Implementation rules of the EIT Law, the source of dividend income shall be the place where the enterprise making the distributions is located; and the source of capital gains realized from the transfer of the equity investment shall be the place where the invested enterprise is located. The EIT Law and its implementation have certain ambiguities with respect to the interpretation of the provisions relating to identification of PRC-sourced income.

The Company is currently classified as a tax resident company in the Netherlands. If the PRC tax authorities recognise Peixin International BVI or the Company as a PRC-resident enterprise under the EIT Law, their foreign Shareholders that are "non-resident enterprises" shall become subject to the PRC's income tax at the rate of up to 10% under the EIT Law as to the capital gains realised from sales of the said companies' Shares by, and dividends distributed to, such foreign Shareholders as this income shall be regarded as income from "sources within the PRC", unless any such foreign Shareholder is qualified for a preferential income tax rate or tax exemption under an applicable tax treaty, and the said companies may be required to withhold such income tax on the dividends payable by the Peixin International BVI or the Company to such foreign Shareholders.

If the PRC tax authorities recognize the Company as a PRC tax resident enterprise under the EIT Law and under the treaty for the avoidance of double taxation with respect to taxes on income in effect between the Netherlands and PRC, the Company´s foreign Shareholders that are ''non-resident individuals'' may become subject to the PRC´s individual income tax at the rate of 20% as to the capital gains realised from sales of the Company´s Shares by, and dividends distributed to, such foreign Shareholders as this income may be regarded as income from "sources within the PRC", unless any such foreign Shareholder is qualified for a preferential income tax rate or tax exemption under an applicable tax treaty, and the Company may be required to withhold such income tax on the dividends payable by the Company to such foreign Shareholders.

In addition, it is important to note the following two Circulars in relation to the anti-avoidance rules may affect WHTs on capital gains or dividend income for foreign Shareholders of Peixin International BVI or the Company even under the situations that Peixin International BVI or the Company are not recognized as PRC tax resident.

On 27 October 2009, the State Administration of Taxation ("SAT") issued a circular Guoshuihan 2009 No. 601 ("Circular 601") which provides guidance for the determination of "beneficial ownership" for the purpose of claiming DTA benefits by treaty residents. According to Circular 601, a beneficial owner generally shall engage in "substantive business activities" and agents and conduit companies shall not be regarded as beneficial owners.

Generally, the transfer of a foreign entity's equity by another foreign entity to a third party does not trigger any PRC tax. However, under a circular Guoshuihan 2009 698 ("Circular 698"), where a foreign investor indirectly transfers its equity interests in a resident enterprise in China without a reasonable commercial purpose and with a view to avoid the EIT that would be imposed on a direct transfer, the PRC tax authority may re-characterize the transfer of the equity based on its economic substance and refuse to recognize the existence of the offshore special purpose vehicle.

Gains from the Shares (dividends, currency gains and capital gains) received by the Company from Peixin International BVI may become subject to Dutch corporate income tax

Under Dutch corporate income tax law, if a Dutch resident company receives gains from shares in another company, the gross amount (less expenses) is in principle fully taxable at the rate of up to 25%. However, dividends, currency gains and capital gains on shares are fully exempt from Dutch corporate income tax if the Dutch participation exemption applies. The Dutch participation exemption applies if: (i) the recipient company owns at least 5% of the nominal paid-up capital of the subsidiary; and (ii) the subsidiary is not held as a mere portfolio investment. Additionally, the Dutch participation exemption applies to gains received from "qualifying portfolio investment subsidiaries".

If the Dutch authorities view the shareholding in Peixin International BVI by the Company as being a mere portfolio investment, and the shareholding in Peixin International BVI does not meet the conditions for being regarded as a qualifying portfolio investment subsidiary, gains received by the Company from the shares in Peixin International BVI will be subject to Dutch corporate income tax at the rate of up to 25%. Currently there is no treaty for the avoidance of double taxation with respect to taxes on income in effect between the Netherlands and BVI.

Foreign Account Tax Compliance withholding may affect payments receivable by Fuijan Peixin and/or Quanzou Peixin

The U.S. "Foreign Account Tax Compliance Act" ("FATCA") imposes a new reporting regime and, potentially, a 30% withholding tax with respect to: (i) certain payments from sources within the United States; (ii) "foreign pass-through payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime; and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Given that the network of financial institutions complying with the reporting regime is still undeveloped in many countries, including China, there is a risk that the payments received by Fuijan Peixin or Quanzou Peixin using services of China banks or banks in other not (yet) participating jurisdictions may be subject to the 30% withholding tax under FATCA regulations.

Risks factors related to the Offering, Offer Shares, Listing and Corporate Governance

The Company may be unable to list its Shares on the WSE. The admission of the Shares to trading on the WSE requires completing certain actions required under Dutch and Polish law. There is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading and listed on the WSE on the date expected or at all.

The admission of the Shares to trading on the WSE requires: (i) that the PFSC receives from the AFM a certificate confirming that this Prospectus has been approved in the Netherlands, a copy of the Prospectus and its Polish summary translation and some additional information to complete the Prospectus passporting procedure; (ii) that the Polish National Depository for Securities (the "NDS") accepts the Shares into deposit; and (iii) that the Management Board of the WSE approves that the Shares are listed and traded on the WSE. The Company intends to take all the necessary steps to ensure that the Shares are admitted to trading and listed on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading and listed on the WSE on the date expected or at all.

There is no prior market for the Shares and therefore there cannot be an assurance regarding the future development of such market. The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may sell their Shares.

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may sell their Shares. If a market for the Shares were to develop, the Shares could trade at prices that may be higher or lower than the Offer Price, depending on many factors. There can be no assurance as to the liquidity of any trading in the Shares or that an active market for the Shares will develop.

Trading in the Shares on the WSE may be suspended if the company fails to comply with the regulations of the WSE or if such suspension is necessary to protect the interests of market participants or at the request of the Company or the PFSC. Any suspension of trading would adversely affect the price of the Shares.

The WSE Management Board has the right to suspend trading in shares of a listed company if the company fails to comply with the regulations of the WSE (such as specific disclosure requirements) or if such suspension is necessary to protect the interests of market participants. Moreover, trading may be suspended at the request of the Company or the PFSC. In the case of the latter if: (i) investors' interests; (ii) the orderly stock exchange trading; or (iii) the security of stock exchange trading are endangered. There can be no assurance that trading in the Shares will not be suspended. Any suspension of trading would adversely affect the price of the Shares.

If a company listed on the WSE fails to fulfil certain requirements or obligations under the applicable laws and regulations of the WSE and/or if the orderly stock exchange trading, the safety of trading thereon, or the investors' interests are endangered, the Company's securities can be excluded from trading on the WSE.

If a company listed on the WSE fails to fulfil certain requirements or obligations under the applicable laws and regulations of the WSE and/or if the orderly stock exchange trading, the safety of trading thereon, or the investors' interests are endangered, the Company's securities can be excluded from trading on the WSE. This particularly may be the case: (i) if transferability of shares is restricted; (ii) if shares cease to exist in a book entry form; (iii) at the request of the PFSC; or (iv) if shares are excluded from trading on a regulated market by a relevant supervisory authority. There can be no assurance that such a situation will not occur in relation to the Shares. If a company listed on the WSE fails to fulfil certain requirements under applicable laws, in particular, the requirements referred to in the Polish Act on Public Offerings, the PFSC has the authority to impose a fine on the company and/or to exclude the company's securities from trading on a regulated market.

The Company cannot ensure that the marketability of the Shares will improve or remain consistent. The market price of the Shares at the time of the Offering may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control.

The Company cannot ensure that the marketability of the Shares will improve or remain consistent. The market price of the Shares at the time of the Offering may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst others, actual or anticipated variations in operating results and earnings by the Company and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, general economic and market conditions, such as recession as well as governmental legislation and regulations. In particular, the Polish government is planning a reform of the "second-pillar" open pension fund system in Poland, which is, collectively, the largest private investor on the WSE. The proposed reform, which is to be implemented in 2014, assumes, among other things, that the pension contributions of future pensioners will be transferred to the Polish Social Security Authority (ZUS) instead of pension funds, unless individual pensioners decide otherwise within three months after the implementation of the reform, which may impact the pension funds' ability to make investments in Shares, which in turn may negatively affect their market price and liquidity. The market price of the Shares is also subject to fluctuations in response to further issuance of shares by the Company, sales of Shares by the Principal Shareholder, the liquidity of trading in the Shares, capital reduction or purchases of Shares by the Company, as well as investor perception. As a result of these or other factors, the Company cannot ensure that the public trading market price of the Shares will not decline below the Offer Price.

Sales of Shares following the Offering may result in a decline in the price of the shares. As a result, investors who purchase shares in the Offering could lose all or part of their investment in the shares.

The Company, the Shareholders and the Offering Agent have agreed under the Placement Agreement that, until the expiry of the period of 360 days (concerning the Company and Mr Qiulin Xie, its principal shareholder) and 180 days (concerning the Company's current minority shareholders: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited) from the commencement of trading of the Listing Shares on the WSE, neither the Company nor any of the above shareholders, nor their affiliates over which they exercise control or voting power, or any person acting on their behalf will, among other things and without the written consent of the Offering Agent sell, pledge or encumber the shares or, in case of the Company, issue new shares (see *"Placing, Stabilization and Lock-up – Lock-up"*). Under the Placement Agreement the Offering Agent may release from the above lock-up commitment on a discretionary basis. Upon the expiry of the lock-up commitment or in the case of earlier release from the lock-up by the Offering Agent, the sale of a substantial number of shares following the Offering, or issuance of new shares, or the possibility that these sales or issuances may occur, may result in a decline in the price of shares, and investors may not be able to sell the shares they purchased in the Offering at or above the Offer Price or at all. As a result, investors who purchase shares in the Offering could lose all or part of their investment in the shares.

As the Company is established and organised under Dutch law, shareholders may have different rights and obligations from those of shareholders in Polish companies listed on the WSE

The Company is organised and exists under the laws of the Netherlands. Accordingly, the Company's corporate structure as well as rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for Polish investors in the Company may be more difficult and costly than the exercise of rights in a Polish company. The Company's general meetings will take place in the Netherlands, which may hinder the Polish-resident shareholders' attendance, be more burdensome or involve more costs for Polish-resident shareholders compared to issuers who hold their general meetings in Poland or via electronic means of communication. Resolutions of the Shareholders' Meeting may be taken with majorities different from the majorities required for adopting equivalent resolutions in Polish companies. Any action to contest any corporate action of the Company must be filed with, and will be reviewed by, a Dutch court, in accordance with Dutch law.

The Company may not be able to make distributions or repurchase shares without subjecting the Company's shareholders to Dutch withholding tax. Although Poland and the Netherlands have a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force.

Investors in the Shares are generally subject to Dutch dividend withholding tax at a rate of 15 per cent on dividends distributed by the Company. Generally, the Company is responsible for the withholding of such dividend withholding tax at source. Investors in the Shares may also be subject to Dutch taxation on income and capital gains derived from their investment in the Company. Dutch Private Individuals are generally subject to Dutch income tax at statutory progressive rates with a maximum of 52 per cent with respect to any benefits derived or deemed to be derived from a Dutch enterprise, including any capital gains realised on the disposal thereof. Although Poland and the Netherlands have a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force. See also Taxation – *'Taxation in the Netherlands*".

Prospective holders of the Shares are subject to exchange rate risks. As the Offer Shares are priced in PLN and will be quoted and traded in PLN, non-Polish holders are subject to risks arising from adverse movements in the value of other currencies against the PLN.

The Offer Shares are priced in PLN and, presuming that a trading market for the Shares develops on the WSE, will be quoted and traded in PLN. Accordingly, non-Polish holders are subject to risks arising from adverse movements in the value of other currencies against the PLN, which may reduce the relative value of the Shares, as well as that of any dividends paid.

IMPORTANT INFORMATION

Capitalized terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to such terms in "Abbreviations and definitions".

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus entirely and in particular the "*Risk Factors*" section when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and should consider the investment decision in light of the prospective investor's personal circumstances and should not rely exclusively on the legal, financial or tax information contained in this Prospectus.

No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus, and, if given, or made, any other information or representation must not be relied upon as having been authorised by the Company or the Lead Manager.

Responsibility

The Company accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof. Neither the Lead Manager nor the legal advisers to the Company accept responsibility whatsoever for the contents of this Prospectus, for its translation, or for any other statement made or purported to be made by any of them or on their behalf in connection with the Company. The Lead Manager and the legal advisers to the Company accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement.

The Lead Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Lead Manager as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Company in connection with the offering of the Shares. The Lead Manager does not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Company in connection with the Offering of the Offer Shares or their distribution.

No person is or has been authorized to give any information or to make any representation in connection with the offer or sale of the Offer Shares, other than as contained in this Prospectus, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Company or the Lead Manager. Potential investors should rely only on the information contained in this Prospectus. The Company and the Lead Manager have not authorized any other person to provide Potential Investors with different information. No reliance should be placed on any information provided by any other means. Potential Investors should assume that the information appearing in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any Offer or sale of the Offer Shares. The business, financial condition, results of operations and prospects of the Company could have changed since that date. The delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information set out in this Prospectus is correct as at any time since its date.

The Company expressly disclaims any duty to update this Prospectus except as required by applicable law. Significant new factors which may affect the price of the Offer Shares and material mistakes or inaccuracies relating to the information included in the Prospectus and which arise or are noted after the Prospectus has been approved and before the Offer Shares are admitted to trading on the regulated market of the WSE shall be mentioned in a supplement to this Prospectus (to be approved by the AFM and passported to the PFSC for publication in Poland), which will be published in the same manner as the Prospectus.

Restrictions on Offer and Sale

Notice to Prospective investors

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such offer or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under "Selling Restrictions". Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition to the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties, which will be relied upon by the Company, the Offering Agent and others. The Company reserve the right, in its sole and absolute discretion, to reject any purchase of Offer Shares that the Company, the Offering Agent or any agents believe may give rise to a breach or a violation of any law, rule or regulation. Please see "Selling Restrictions".

Notice to EEA investors

The Prospectus and the Offering are only addressed to and directed at persons in member states of the European Economic Area (the "EEA") (other than Poland) who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (the "Qualified Investors"). This Prospectus must not be acted on or relied on in any member state of the EEA (other than Poland) by persons who are not Qualified Investors. The Offer Shares are only available outside Poland to, and any investment or investment activity to which this Prospectus relates is available only to Qualified Investors, and will be engaged in only with such persons.

This Prospectus has been prepared on the basis that all marketing activities with respect to the Offer Shares outside Poland will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States, from the requirement to produce a prospectus for offers of ordinary shares. Accordingly, any person making or intending to make any offer within the EEA of the Offer Shares which are the subject of this Prospectus should only do so in circumstances in which no obligation arises for the Company or the Offering Agent to produce a prospectus or any other offering document for such offer.

Notice to United States Investors

Neither the Offer Shares nor other Company's securities described in the Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States for offer or sale as part of their distribution and may not be offered or sold in the United States. The Offering will be advertised solely to investors outside the United States in reliance on Regulation S.

Notice to UK investors

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the United Kingdom to, and is only directed at, persons that are qualified investors ("qualified investors") within the meaning of Article 2(1)(e) of the Prospectus Directive (as defined above): (i) that also have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); or (ii) that fall within

Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise be lawfully communicated (all such persons together being referred to as “relevant persons”). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, relevant persons. This Prospectus and its contents must not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person must not act or rely on this Prospectus or any of its contents.

Stabilisation

As of the date of this Prospectus, no stabilisation actions are expected to be undertaken. The terms and conditions of the Offering do not provide for an over-allotment or greenshoe option.

No Incorporation of Website Information

The contents of the Company's website do not form part of this Prospectus.

Forward-looking Statements

This Prospectus contains forward-looking statements which reflect the current view of the Company or, as appropriate, of the management of the Company (**Management**), as the context may require, with respect to financial performance, business strategy, plans and objectives of the Company for future operations (including development plans relating to the Group's products and services).

These forward-looking statements relate to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements of a future or forward-looking nature identify such forward-looking statements.

All forward-looking statements included in this Prospectus address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to:

- increases or decreases in demand for the Group's products;
- the effects of competition;
- price pressure;
- increases in operating costs;
- availability of funds, through borrowings or otherwise, for the Group's future operations and planned capital expenditures;
- the Group's ability to successfully implement any of its business or financing strategies;
- developments in, or changes to, the laws, regulations and governmental policies applicable to the Group's business;
- substantial inflation, interest rate and exchange rate fluctuations;
- changes in the Group's ability to obtain, maintain or renew the distribution contracts necessary to conduct its businesses;

- the effects of international political events; and
- the Group's success in identifying additional risks to its businesses and managing risks associated with the aforementioned factors.

Any forward-looking statements in this Prospectus reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity.

Any forward-looking statements speak only as of the date of this Prospectus. Notwithstanding that this Prospectus does not contain profit forecasts or estimates within the meaning of the European Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC, the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

Enforceability of Civil Claims

The Company is a public limited liability company (*naamloze vennootschap*) organized under the laws of the Netherlands. Some of our directors and officers and certain other persons named in this Prospectus may reside in the Netherlands. As a result, the enforceability of any civil judgment rendered against such persons in the United States is uncertain. In the absence of an applicable treaty between the United States and the Netherlands, a judgment rendered by a court in the U.S. will not be enforced by Dutch courts. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. If and to the extent that the Dutch court finds that the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment of the U.S. Court unless such judgment contravenes principles of Dutch public policy.

Presentation of Financial and other Information

Historical Financial Information

The Company was incorporated on 2 July 2013 for the purpose of the Offering and to acquire in connection with the Offering all shares in Peixin International BVI. As at the date of this Prospectus the Company is the sole shareholder of Peixin International BVI There is no historical financial information relating to the Company for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 and for the six-month period ending 30 June 2013. Because of the limited historical financial information available for the Company the Company has included the following financial information in this Prospectus:

- the English-language consolidated annual report of the Peixin International BVI group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 including the independent auditor’s report on the audit of these consolidated financial statements; (the “Annual Financial Statements”); and
- the English-language consolidated interim report of the Peixin International BVI’s group for the six-month period from 1 January 2013 to 30 June 2013. (the “Interim Financial Statements”),

(together, the “Consolidated Financial Statements”).

The Consolidated Financial Statements have been prepared in accordance with the International Financing Reporting Standards issued by the International Accounting Standards Board. The Annual Financial Statements have been reviewed and audited. The Interim Financial Statements have been reviewed.

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

Market, Economic and Industry Data

Certain macroeconomic and statistical data included in this Prospectus has been derived from publicly available sources. Macroeconomic and statistical data concerning China's economy is mostly based on World Bank, IMF, NBSC and CNHPIA.

Market data and certain industry data and forecasts used, as well as statements made herein regarding the Company's position in the industry were estimated or derived based upon assumptions the Company deems reasonable and from the Company's own research, surveys, or derived from publicly available sources, industry or general publications such as reports issued by Directory of Tissue Paper & Disposable Products, a government trade association statistics year book. The source of any external information is provided each time such information is used in this Prospectus. In the preparation of this Prospectus, this third-party information has not been independently verified. The information in this Prospectus that has been sourced from the third party sources has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party source, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The Company does not intend, nor is it obliged, to update the data presented herein, save for obligations arising under provisions of law.

Statements made in the Prospectus regarding the competitive position of the Group are based on the Company's own beliefs, analysis and assessments of the market. Statements made in the Prospectus regarding the quality and design of the Company's products are based on the Group's commercial knowledge concerning the products of the Group and the products of: (i) domestic competitors; and (ii) international manufacturers. Such statements are also supported by feedback received from the Company's clients. The Company is unaware of any external sources which could be cited to confirm these statements.

Currency Presentation

The financial information concerning the Group is presented in the Prospectus and the Consolidated Financial Statements in Euro. The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB). Translation from RMB to EUR in the Consolidated Financial Statements was made at the following rates:

	Period end rates	Average rates
31 December 2010	EUR 1.00 = RMB 8.8065	EUR 1.00 = RMB 8.9247
31 December 2011	EUR 1.00 = RMB 8.1625	EUR 1.00 = RMB 9.0168
31 December 2012	EUR 1.00 = RMB 8.3176	EUR 1.00 = RMB 8.1948
30 June 2012	EUR 1.00 = RMB 7.8710	EUR 1.00 = RMB 8.1957
30 June 2013	EUR 1.00 = RMB 8.0536	EUR 1.00 = RMB 8.1701

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation in the IPO prospectus of its intended ultimate legal parent as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- 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);

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

- all resulting exchange differences are recognised in translation reserve, a separate component of equity.

Roundings

Certain data in this Prospectus, including financial, statistical and operating information has been rounded, As a result of the rounding, the totals of data presented in this Prospectus may vary from the actual arithmetic totals of such data. Percentages have rounded and accordingly may not add up to 100%.

USE OF PROCEEDS

Assuming that all the Offer Shares are subscribed for at the Maximum Offer Price, the gross proceeds from the issuance of the Offer Shares would be PLN 100,000,000, that is, EUR 23,580,456.52 (calculated based on an average EUR/PLN exchange rate as at 11 September 2013, EUR 1 = PLN 4.2408 as announced by the National Bank of Poland) and the net proceeds from the issuance of the Offer Shares are expected to be approximately EUR 21,350,000 after deduction of the costs of the Offering, including approximately EUR 650,000 in commissions and fees payable to the Lead Manager. The Company expects that other costs of the Offering (excluding the commissions and fees for the Lead Manager which depend on the gross proceeds from the Offering) will amount to approximately EUR 1,580,000.

The Company will publish information regarding the proceeds from the sale of the Offer Shares, as well as total expenses of the Offering in a current report after the Offering is completed, in accordance with Article 56 of the Act on Public Offerings.

The Group intends to use the net proceeds it receives from the Offering for the following purposes:

- approximately 40% will be used to purchase land within the second phase of investment plan (See "*Business of the Group – Investments*");
- approximately 25% will be used to construct a new production facility within the second phase of investment plan;
- approximately 25% will be used to purchase machinery and equipment within the second phase of investment plan;
- approximately 10% will be used for research and development operations as well as building improvement.

The proceeds will be transferred by the Company to its operating Subsidiaries in China in the form of payments towards share capital increases of these companies. The Subsidiaries will use the proceeds from the Offering transferred by the Company in line with the priorities indicated above. The remaining part of the mentioned investments will be financed with retained earnings. Please refer to section "*Taxation – transfer of the proceeds from the Offering*" for further tax considerations regarding the transfer of the proceeds from the Offering to the Subsidiaries.

Pending the use of the net proceeds of this Offering, the Company may temporarily invest the net proceeds in liquid bank deposits or liquid risk-free financial instruments, e.g. treasury bills, freely exchangeable into cash with maturity dates of not more than three months.

Should the completion of the foregoing objectives become impossible or impracticable or any unforeseen developments occur which may negatively affect the business of the Group the Company may change the aforementioned use of proceeds from the issuance of the Offer Shares in line with the current needs of the Group. In case the abovementioned situation, which is impossible to foreseen at the Date of the Prospectus, the proceeds will be used in order to increase the Group's production capacity and R&D development.

DIVIDENDS AND DIVIDEND POLICY

Dividend policy

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

The Company has not declared or paid any dividends since its establishment in 2013.

Future dividend payments will also depend on the availability of dividends from the Group's operating subsidiaries in the PRC. PRC law requires that dividends be paid only out of a company's net profit calculated according to PRC accounting principles, which differ in certain respects from IFRS. Under the Company Law of the PRC and other relevant PRC laws, a foreign-invested enterprise is also required to transfer at least 10% of its net profit (after offsetting any prior years' losses) to a statutory reserve until the balance of that reserve reaches 50% of the registered capital of the enterprise. The transfer by the entity to its reserve must be made before the distribution of dividends to its equity holders. Distributions from the Group's PRC operating subsidiaries may also be restricted: (i) if they incur losses; or (ii) in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Group or its PRC operating subsidiaries may enter into in the future.

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

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

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

Dividend history

Since its incorporation, the Company has not paid any dividends to its shareholders. Peixin International BVI paid dividends in 2010, 2011 and 2012 of EUR 1,124 thousand (EUR 22.48 per share), EUR 3,207 thousand (EUR 64.14 per share) and EUR 6,267 thousand (EUR 125.34 per share) respectively.

Manner and time of dividend payments

Payment of any dividend on Shares in cash will be made in EUR. Dividends on the Shares will be paid to Shareholders through NDS and credited automatically to Shareholders' accounts.

On the Management Board's proposal, and with the approval of the Supervisory Board, the General Meeting may resolve to make distributions to Shareholders not in cash, but in Shares.

The Management Board, with the approval of the Supervisory Board, may set aside part of the profits realised during any given financial year to increase and/or form part of the reserves. The remaining profits will be put at the disposal of the General Meeting. At the annual general meeting of shareholders the Management Board, with the approval of the Supervisory Board, will make a dividend proposal. The Company will pay any dividends within 4 weeks after the resolution approving any dividend is adopted, unless the Management Board sets another date for payment. Claims for dividends lapse on the expiry of 5 years after the date that those dividends were released for payment. Any dividend not collected within this period reverts to the Company. The first dividend (if any) on Shares following the Offering will be determined for the year 2013 and will be paid after the annual General Meeting to be held in 2014.

Dividend payments are generally subject to withholding tax in the Netherlands. (See "*Taxation – Taxation in the Netherlands*".)

CAPITALISATION AND INDEBTEDNESS

The data presented in this section should be analysed in conjunction with the information provided in "Operating and Financial Review", the Consolidated Financial Statements, as well as the financial data presented in other sections of this Prospectus.

Capitalisation and indebtedness

The following table presents information on the Group's consolidated capitalisation and indebtedness as at 30 June 2013.

(EUR thousands)	**As at 30 June 2013**
Capitalisation	
Guaranteed/secured current debt	3,545
Unguaranteed/secured current debt	621
Unguaranteed/unsecured current debt	8,404
Total current debt	**12,570**
Guaranteed/secured non-current debt	-
Unguaranteed/secured non-current debt	-
Unguaranteed/unsecured non-current debt	-
Total non-current debt	**-**
Share Capital	41
Share Premium	3,302
Legal Reserves	1,630
Foreign currency translation reserve	3,074
Other Reserves	24,227
Shareholders' Equity	**32,274**
Total Debt and Shareholders' equity	**44,844**
Net indebtedness	
Cash & Cash Equivalents	9,674
Bank Overdraft	-
Trading securities	-
Liquidity	**9,674**
Current financial receivable	11,805
Current bank debt	-4,166
Current portion of non-current debt	-
Other current financial debt	-7,022
Current financial debt	**-11,188**
Net current financial indebtedness	**10,291**

	-
Non-current bank loans...	-
Other non-current loans	-
Non-current financial indebtedness	
Net financial indebtedness	**10,291**

Since 30 June 2013 there have been no material changes to the table above.

Source: the Company

EXCHANGE RATES

The Consolidated Financial Statements included in this Prospectus are presented in Euro ("EUR"). The Group conducts its business predominately in the PRC and hence its functional currency is the Renminbi (RMB).

The following table shows, for the periods provided, and unless indicated otherwise, certain information regarding the exchange rates between RMB and EUR used in the preparation of the Group's Consolidated Financial Statements appearing in this Prospectus.

	EUR per RMB
Average weighted rate for the year ended 31 December 2010	EUR 1.00 = RMB 8.9247
Closing rate as of 31 December 2010	EUR 1.00 = RMB 8.8065
Average weighted rate for the year ended 31 December 2011	EUR 1.00 = RMB 9.0168
Closing rate as of 31 December 2011	EUR 1.00 = RMB 8.1625
Average weighted rate for the year ended 31 December 2012	EUR 1.00 = RMB 8.1948
Closing rate as of 31 December 2012	EUR 1.00 = RMB 8.3176
Average weighted rate for the period ended 30 June 2012	EUR 1.00 = RMB 8.1957
Closing rate as of 30 June 2012	EUR 1.00 = RMB 7.8710
Average weighted rate for the period ended 30 June 2013	EUR 1.00 = RMB 8.1701
Closing rate as of 30 June 2013	EUR 1.00 = RMB 8.0536

Source: Consolidated Financial Statements

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected information set out below has been derived from and should be read in conjunction with the Consolidated Financial Statements, including the accompanying notes thereto, which are included elsewhere in this Prospectus, unless stated otherwise. The following information should also be read in conjunction with "Operating and Financial Review" included elsewhere in this Prospectus. The profitability ratios included below are not extracted from the Consolidated Financial Statements.

Selected consolidated statements of comprehensive income data

	31 December			**Period ended**	
	2010	**2011**	**2012**	**30/06/2012**	**30/06/2013**
	TEUR	**TEUR (audited)**	**TEUR**	**TEUR (unaudited)**	**TEUR**
Revenue	19,740	32,839	46,509	22,459	27,395
Cost of sales	(12,817)	(20,845)	(29,619)	(14,042)	(17,224)
Gross profit	6,923	11,994	16,890	8,417	10,171
Other income	155	159	200	101	235
Distribution and selling expenses	(656)	(817)	(1,025)	(538)	(537)
Administrative expenses	(816)	(947)	(1,219)	(624)	(747)
Research and development expenses	(701)	(782)	(1,019)	(413)	(513)
Profit from operations	4,905	9,607	13,827	6,943	8,609
Other gains and losses	36	18	(53)	2	17
Finance costs	(118)	(169)	(247)	(116)	(125)
Profit before tax	4,823	9,456	13,527	6,829	8,501
Income tax expense	(675)	(1,261)	(2,158)	(1,087)	(1,252)
Profit for the year	4,148	8,195	11,369	5,742	7,249
Other comprehensive income					
-currency translation differences	1,036	1,406	(270)	866	895
Total comprehensive income for the year	5,184	9,601	11,099	6,608	8,144

Source: Consolidated Financial Statements

Selected consolidated statements of financial position data

	31 December			**30 June**
	2010	**2011**	**2012**	**2013**
	TEUR	**TEUR (audited)**	**TEUR**	**TEUR (unaudited)**
Non-current assets				
Property, plant and equipment	9,069	9,533	9,574	9,213
Prepaid lease payments	954	1,006	965	985
Investment properties	712	720	659	656
Deferred tax assets	6	-	-	-
Other deferred assets	796	1,022	810	737
	11,537	12,281	12,008	11,591
Current assets				
Inventories	4,198	7,044	6,734	9,149
Trade and other receivables	1,167	3,161	4,429	14,407
Prepaid lease payments	21	23	22	23

	31 December			30 June
	2010	2011	2012	2013
	TEUR	TEUR (audited)	TEUR	TEUR (unaudited)
Related parties receivables	148	480	-	-
Pledged bank deposits	143	-	-	-
Bank balances and cash	1,875	4,014	11,435	9,674
	7,552	14,722	22,620	33,253
Current liabilities				
Trade and other payables	1,534	2,594	2,210	3,132
Advance from customers	1,424	1,096	3,582	4,442
Income tax payable	167	517	672	830
Bank borrowings	3,060	3,498	4,034	4,166
	6,185	7,705	10,498	12,570
Net current assets	1,367	7,017	12,122	20,683
Total assets less current liabilities	12,904	19,298	24,130	32,274
Non-current liability	-	-	-	-
Net asset	12,904	19,298	24,130	32,274
Capital and reserves				
Share/paid-in capital	41	41	41	41
Reserves	12,863	19,257	24,089	32,233
Total equity	12,904	19,298	24,130	32,274

Source: Consolidated Financial Statements

Selected consolidated statements of cash flow data

	31 December			Period ended	
	2010	2011	2012	30/06/2012	30/06/2013
	TEUR	TEUR (audited)	TEUR	TEUR (unaudited)	TEUR
Operating activities					
Profit before tax	4,823	9,456	13,527	6,829	8,501
Adjustments for:					
Finance cost	118	169	247	116	125
Interest income	(15)	(31)	(35)	(20)	(90)
Depreciation of property, plant and equipment	832	869	961	475	666
Amortization of prepaid lease payments	21	21	23	11	11
Amortization of investment properties	44	44	48	24	24
Amortization of other deferred assets	69	125	196	98	98
(Gain) loss on disposal of property, plant and equipment	(32)	10	-	-	-
Operating cash flows before movements in working capital	5,860	10,663	14,967	7,533	9,335
(Increase) decrease in inventories	(944)	(2,846)	310	(3,766)	(2,415)
(Increase) in trade and other receivables	(464)	(1,994)	(1,268)	(1,104)	(9,978)
(Increase) decrease in related parties receivables	(148)	(332)	480	409	-
Decrease in pledged bank deposits	469	143	-	-	-

	31 December			Period ended	
	2010	2011	2012	30/06/2012	30/06/2013
	TEUR	TEUR (audited)	TEUR	TEUR (unaudited)	TEUR
(Increase) in other deferred assets	(558)	(272)	-	-	-
Increase (decrease) in trade and other payables	(58)	1,060	(384)	8	922
Increase (decrease) in advance from customers	520	(328)	2,486	6,876	860
(Decrease) in related parties liabilities	(36)	-	-	332	-
Cash generated from / used in operations	4,641	6,094	16,591	10,288	(1,276)
Income taxes paid	(612)	(951)	(1,991)	(916)	(1,118)
NET CASH FROM / USED IN OPERATING ACTIVITIES	4,029	5,143	14,600	9,372	(2,394)
Investing activities					
Interest received	15	31	35	20	90
Purchase of property, plant and equipment	(2,331)	(707)	(1,184)	(1)	-
Prepayment on prepaid lease payments	(26)	-	-	-	-
Proceeds on disposal of property, plant and equipment	150	54	-	-	-
NET CASH FROM / USED IN INVESTING ACTIVITIES	(2,192)	(622)	(1,149)	19	90
Financing activities					
Interest paid	(118)	(169)	(247)	(116)	(125)
Dividends paid	(1,124)	(3,207)	(6,267)	(6,267)	-
New bank loans raised	3,916	3,166	4,094	-	-
Repayment of borrowings	(3,249)	(2,988)	(3,484)	-	-
NET CASH USED IN FINANCING ACTIVITIES	(575)	(3,198)	(5,904)	(6,383)	(125)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1,262	1,323	7,547	3,008	(2,429)
Less: Exchange difference	293	816	(126)	589	668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	320	1,875	4,014	4,014	11,435
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	1,875	4,014	11,435	7,611	9,674

Source: Consolidated Financial Statements

Selected ratios

The profitability ratios included below are not extracted from the Consolidated Financial Statements.

Profitability ratios in EUR (RMB)	2010	2011	2012

		(unaudited)	
Tax burden[1]	0.86	0.87	0.84
Interest burden[2]	0.98	0.98	0.98
Operating margin[3]	0.25	0.29	0.30
Net margin[4]	0.21	0.25	0.24
Asset Turnover[5]	1.21 (1.17)	1.42 (1.52)	1.51 (1.50)
ROA (Return on Assets)[6]	**0.25 (0.25)**	**0.36 (0.38)**	**0.37 (0.37)**
Leverage[7]	**1.50**	**1.43**	**1.42**
ROE (Return on Equity)[8]	**0.38**	**0.51**	**0.52**

* *RMB ratios are calculated based on EUR values adjusted by applicable exchange rate (See Key Accounting Policies), RMB ratios calculated based on exchange rates may vary from ratios calculated directly from Group's accounting records*

1 *Tax burden = Profit for the Year / Profit before tax*

2 *Interest burden = Profit before tax / Profit from operations*

3 *Operating margin = Profit from operations / Revenue*

4 *Net margin = Profit from the year / Revenue*

5 *Asset Turnover = Revenue / Average Assets*

6 *Return on Assets (ROA) = Tax Burden * Interest Burden * Operating margin * Asset Turnover (or) ROA = Profit for the Year / Average Assets*

7 *Leverage = Average Assets / Average Equity*

8 *Return on Equity (ROE) = ROA * Leverage (or) ROE = Profit for the Year / Average equity*

Source: the Company

Statements of financial position data of Peixin International Group N.V. (non-consolidated)

The Company was established on 2 July 2013 as a holding company and a listing vehicle for the Group. On 14 August 2013 all shares in Peixin International BVI were contributed to the Company in exchange for newly issued shares in the share capital of the Company as a part of the Group restructuring in connection with the offering. As removing Peixin International BVI from the Group structure would result in a taxable capital gain in China, the Company decided to maintain Peixin International BVI as an intermediate holding company within the Group structure.The table below presents unaudited statements of financial position data of the Company on a non-consolidated basis after the contribution of shares in Peixin International BVI to the Company.

	15 August 2013
	TEUR (unaudited)
Property, plant and equipment	-
Prepaid lease payment	-
Investment property	-
Other deferred assets	-
Long term investment	32,274
Non-current assets	**32,274**
Inventories	-
AR&OR	-
Prepaid lease payment	-
Bank deposits	45
Current assets	**45**
AP&OP	-
Advance from customers	-
Income tax payable	-
Bank borrowing	-

Current liabilities	**-**
Paid-in capital	12,000
Share premium	20,319
Other reserves	-
Total equity	**32,319**

OPERATING AND FINANCIAL REVIEW

The following Operating and Financial Review discusses the Peixin International BVI and its subsidiaries historical financial results as at and for the years ending on December 31, 2012, 2011 and 2010 as well as for six-month periods ending on 30 June 2012 and on 30 June 2013 and as at 30 June 2013. Potential investors should read the following discussion in conjunction with the Consolidated Financial Statements, and in conjunction with the information set forth under "Risk Factors", "Important Information" and "Business of the Group."

The Company was incorporated on 2 July 2013 for the purpose of the Offering and to acquire in connection with the Offering all shares in Peixin International BVI. As at the date of this Prospectus, the Company is the sole shareholder of Peixin International BVI. There is no historical financial information relating to the Company for the years ending on 31 December 2010, 31 December 2011 and 31 December 2012 and for the six-month period ending 30 June 2013. Because of the limited historical financial information available to the Company, the Company has included the following financial information in this Prospectus:

- *the English-language consolidated annual report of the Peixin International BVI group for the years ending on 31 December 2010, 31 December 2011 and 31 December 2012 including the independent auditor's report on the audit of these consolidated financial statements; and*

- *the English-language consolidated interim report of the Peixin International BVI group for the six-month period from 1 January 2013 to 30 June 2013.*

Some of the information in the review below includes forward-looking statements that involve risks and uncertainties. See "Forward-looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in the forward-looking statements contained in this Prospectus.

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

Overview

The Group designs, produces and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissue and other products. 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 the distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according 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: Diaper Machines, Sanitary Napkin Machines, Facial Tissue Machines and Others corresponding to 34.9%, 42.0%, 15.3% and 7.8% of the Group's revenues for 2012 respectively.

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, and the market for sanitary napkins and sanitary tissues drives the market for sanitary napkin and sanitary tissue machines. For a market overview, please refer to "*Industry Overview*".

The Group believes that the design, functionality and quality of its products is close to that of its international competitors and exceeds most of domestic competitors. The Group is able to design tailor-made lines adjusted to particular clients' needs, which allows it to offer sophisticated products. The Group was granted ISO, European Union CE certificates and in 2005, 2008 and 2011 was awarded "*Fujian famous trademark*" (*See "Business of the Group – Quality"*). In 2011, the Group developed and produced its full-servo adult diaper line which was awarded the Quanzhou 2011 R&D project award. In 2012 the Group was granted a tax exemption for hi-tech companies. The Group considers its R&D and quality control expertise to be crucial to its future success and intends to further strengthen its research and development activities, as well as to enhance the quality and functionality of its products to respond to market demand.

The Group's production facility is located in Quanzhou, Fujian province in China. The Group intends to open two new factories by 2016 with an intention to more than triple its production capacity and perceives the opening of these new factories as a significant step towards increasing the Group's revenues and keeping one of the leading position among domestic producers of machines manufacturing daily-use hygiene products. For further information, please refer to "*Business of the Group – Investments*".

The group distributes its products to daily-use hygiene product manufacturers in China and abroad, mainly in Asia, Africa and North and South America. The Group distributes its products internationally, mainly through China-based trading companies who sell the Group's products on to end users. The Group also distributes part of its products directly to international end users. Domestically, the Group intends to extend its distribution coverage from the coastal areas of China currently to other inland and economically growing regions including the provinces of Chongqing, Henan, and Hunan. The Group believes that entering the new provinces of China with its distribution network will allow the Group to increase sales of its products. 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, as well as employing additional China-based salesmen covering international markets to increase its ability to directly distribute its products to international customers.

Key factors affecting operating and financial results

In general, the Company's business is driven by general economic conditions (such as general wealth), consumer spending, healthcare and demography trends (such as birth rate, life expectancy) as well as consumer habits, which in turn drives demand for consumer products. The Company believes that the following factors had and/or will have a material effect on the Group's operation results.

Growth in the daily-use hygiene products market in China and developing countries

The market for daily-use hygiene products market in China and developing countries has grown significantly recently. This growth is strongly connected to the growth of the economies of China and other developing countries (see "*Industry Overview"*). The Group believes that this growth will last in the near future and continue to directly influence the demand for machinery necessary for production of the above mentioned consumer products.

The Group believes that the trend in China and developing countries and regions (such as India, South America, South Africa) and the expected growth of the Chinese and developing countries economy will lead to significant growth in its business. The Group also believes that the increase in disposable income and the increasing adoption of western-economies' life styles will lead consumers in these countries and regions to use daily-use hygiene products more often. As a significant part of the Group's sales is in the mentioned markets, demand for the Group's products is and will be strongly influenced by the growth in general demand for daily-use hygiene products in the markets of China and other developing countries.

In addition, the market for daily-use hygiene products market in China and other developing countries is increasingly influenced by changing consumer preferences. An increase in demand for the Group's products will also depend on its ability to identify consumer trends and preferences at an early stage and to develop and introduce new products in line with these trends.

Change in the daily-use hygiene product machinery in developed and developing countries

The Group believes that in significant number of developing countries, a substantial part of machines currently in use are technologically outdated, and consequently the demand for high-end daily use hygiene product machinery is increasing. At the same time, the hygiene product manufacturers in those countries are often subject to budget limits and are looking for cheaper alternatives to the expensive machines produced by high-end market segment players.

Moreover, daily-use hygiene product manufacturers in developed countries (such as the USA) are becoming more cost-aware and are looking for high quality and technologically advanced products at a lower price, which may constitute an alternative to the expensive machines produced by high-end market segment players.

In the Company's opinion the above trends have increased and will continue to increase the demand for the Company's products.

Development of the distribution network in the Chinese and international market as well as production capacity

The volume of the Company's sales is driven in particular by its sales distribution network as well as its production capacity. The Group has significantly increased its sales force over the last few years, which has allowed it to extend its sales coverage and to attract more demand for its products. The Group has also extended its production capacity over the last few years, which has enabled it to meet the demand for its products. The Group will continue to increase its sales force and production capacity.

Fluctuations in labour costs

The production of machinery products in China is very labour intensive and almost all of the Group's work force is located in China. Average annual salaries of urban employees in the PRC increased significantly within the periods under review. The average wage per capita of urban employees from the private companies in the PRC increased from RMB 28,752 in 2011 to RMB 46,769 in 2012, (net increasing of 14% after deduction of CPI increasing) (*Source: National Bureau of Statistics of China).*

In 2010, 2011 and 2012, employee costs accounted for EUR 1,734 thousand, EUR 2,344 thousand and EUR 2,470 thousand, respectively, and constituted 13.4%, 10.0% and 8.6% respectively of the Group's production costs. The Group believes that fluctuations of the labour costs may impact the Group's business in the future.

Consolidation on the market of China-based producers of daily use hygiene products

The number of consolidations among producers of daily-use hygiene products in China is increasing. As the Chinese market is considered to be one of the keys for the Group, the increased number of consolidations among these producers may significantly affect the Group's business. In the first half of 2013, the Group made a decision to extend payment terms to its main customers, who are currently leading the process of consolidation. The Group believes that improved payment terms will facilitate the successful accomplishment of such customers' consolidation process and that they will return to the Group with increased orders. Although the Group believes that such policy may improve its competitive position on the market in the mid-term, it may impact its short-term operational results due to longer collection periods and increased level of necessary working capital.

__Tax policy and changes in applicable tax provisions__

The applicable enterprise income tax rate of Fujian Peixin is 25%. Fujian Peixin obtained the “High and New Technology” certificate in 2011 and from 2012 has been enjoying a low tax rate of 15% which will expire on December 31 2013 if Fujian Peixin fails to renew the “High and New Technology” certificate.

The applicable enterprise income tax rate of Quanzhou Peixin is 25%.

__Effects of currency fluctuations__

The Group uses Chinese renminbi (RMB) in day-to-day operations. Therefore, this is the Group’s functional currency. For reporting purposes, the Group uses Euro (EUR). Therefore, the Group’s financial statements are subject to currency translation, which impacts ratios and growth dynamics.

The table below presents the change of currency exchange rates.

	Period end rate	**Average rate**
2011/2010	7.3%	-1.0%
2012/2011	-1.9%	9.1%

Source: the Company

	Period end rate	**Average rate**
1H 2013/1H2012	-2.3%	0.3%
1H 2013/2012	3.2%	0.3%

Source: the Company

For the application of above-mentioned rates, see “*Key Accounting Policies”*.

Results of operations

__Years ending on 31 December 2010, 31 December 2011 and 31 December 2012__

To present the business, financial condition and results of operations for the last three financial years in relation to the business of the Group, the following table presents the income statement data for the years ending on 31 December 2010, 2011 and 2012 on a combined basis, which was derived from the audited Consolidated Financial Statement.

	31 December			**Change**	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Revenue	19,740	32,839	46,509	66.4	41.6
Cost of sales	(12,817)	(20,845)	(29,619)	62.6	42.1
Gross profit	6,923	11,994	16,890	73.2	40.8
Other income	155	159	200	2.6	25.8
Distribution and selling expenses	(656)	(817)	(1,025)	24.5	25.5
Administrative expenses	(816)	(947)	(1,219)	16.1	28.7
Research and development expenses	(701)	(782)	(1,019)	11.6	30.3
Profit from operations	4,905	9,607	13,827	95.9	43.9
Other gains and losses	36	18	(53)	-50.0	-394.4
Finance costs	(118)	(169)	(247)	43.2	46.2
Profit before tax	4,823	9,456	13,527	96.1	43.1

Income tax expense..........................	(675)	(1,261)	(2,158)	86.8	71.1
Profit for the year...........................	4,148	8,195	11,369	97.6	38.7
Other comprehensive income.........					
-currency translation differences.......	1,036	1,406	(270)	35.7	-119.2
Total comprehensive income for the year...	5,184	9,601	11,099	85.2	15.6

Source: Consolidated Financial Statements

Revenues

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

Revenues increased from EUR 19,740 thousand in 2010 by 13,099 or 66.4% to EUR 32,839 thousand in 2011 and by 13,670 or 41.6% to EUR 46,509 thousand in 2012. Whereas the number of units sold by the Group increased from 397 in 2010 to 566 in 2011 and decreased to 562 in 2012. The increase of revenues was mainly the result of increased sales. The value of the increase of revenue does not follow the change in the volume of sales due to changing product mix. In particular, in 2012 the Group sold less smaller units with a lower price per unit and more complex units with a higher price per unit compared to 2011 which resulted in increased revenues, whereas the number of units sold decreased in 2012 in comparison to 2011.

Revenue by products

The following table presents the Group's revenues broken down by product categories for each of the three years ending on 31 December 2010, 2011 and 2012.

	31 December						**Change in value**	
Revenue:	**2010**		**2011**		**2012**		**2010/2011**	**2011/2012**
	Unit	**TEUR**	**Unit**	**TEUR**	**Unit**	**TEUR**	**%**	**%**
			(audited)				**(unaudited)**	
Sanitary napkins machines......................	39	8,885	45	13,431	64	19,537	51.2	45.5
Diaper machines	16	5,705	26	9,343	35	16,219	63.8	73.6
Facial tissue machines ..	319	4,517	466	7,996	396	7,130	77.0	-10.8
Other paper machines ...	23	633	29	2,069	67	3,623	226.9	75.1
	397	19,740	566	32,839	562	46,509	66.4	41.6

Source: Consolidated Financial Statements

Sanitary napkins machines

Revenues from the sale of sanitary napkin machines constituted 45.0% of the Group's revenues in 2010, 40.9% in 2011, and 42.0% in 2012. Revenues from the sale of sanitary napkin machines increased from EUR 8,885 thousand in 2010 by 4,546 or 51.2% to EUR 13,431 thousand in 2011 and by 6,106 or 45.5% to EUR 19,537 thousand in 2012. The increase in 2011 as compared to 2010 was mainly the result of an increased average unit price (31% y/y) of the products sold, due to the fact that the Group sold more complex products with a higher price per unit, and to a lesser extent, to the volume of products. The increase in 2012 as compared to 2011 was mainly driven by an increased volume of sales while the average price per unit increased insignificantly (2% y/y).

Diaper machines

Revenues from the sale of diaper machines constituted 28.9% of the Group's revenues in 2010, 28.5% in 2011 and 34.9% in 2012. Revenues from the sale of diaper machines increased from EUR 5,705 thousand in 2010 by 3,638 or 63.8% to EUR 9,343 thousand in 2011 and by 6,876 or 73.6% to EUR 16,219 thousand in 2012. The increase was mainly attributed to the increased production of diaper machines to meet the market demand. The increase in 2011 as compared to 2010 was mainly driven by increased volume of sales (63% y/y) while the average price per unit increased insignificantly (1% y/y).The increase in 2012 as compared to 2011 was mainly the result of an increased average unit price (29% y/y) of the products sold, due to the fact that the Group sold more complex (in particular full-servo) products with a higher price per unit and, to a lesser extent, to the volume of products.

Facial tissue machines

Revenues from the sale of facial tissue machines constituted 22.9% of the Group's revenues in 2010, 24.3% in 2011 and 15.3% in 2012. Revenues from the sale of facial tissue machines increased from EUR 4,517 thousand in 2010 by 3,479 or 77.0% to EUR 7,996 thousand in 2011. The increase was mainly driven by increased volume of sales (46%) and the average price per unit increase (21% y/y). Revenues from the sale of facial tissue machines decreased from EUR 7,996 thousand in 2011 by 866 or 10.8% to EUR 7,130 thousand in 2012. The decrease was the result of a drop in the volume of sales.

Other paper machines

Other paper machines comprises many different types of machines with different levels of complexity and different prices per unit.

Revenues from the sale of other paper machines constituted 3.2% of the Group's revenues in 2010, 6.3% in 2011 and 7.8% in 2012. Revenues from the sale of other paper machines increased from EUR 633 thousand in 2010 by 1,436 or 226.9% to EUR 2,069 thousand in 2011 and by 1,554 or 75.1% to EUR 3,623 thousand in 2012. The increase in 2011 compared with 2010 was mainly the result of a higher share of fruit pads machines (with a substantially higher price per unit compared to other products in this segment) in the product mix. In 2012, the Group observed an increased demand for packaging and stacker machines which resulted in a higher share of low price per unit products in the product mix in this segment and, consequently, a drop in the value of sales.

Revenue by geographical split

The following table presents the Group's revenues broken down by geographical split for each of the three years ending on 31 December 2010, 2011 and 2012. 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.

	31 December						Change in value	
	2010		2011		2012		2010/2011	2011/2012
	Unit	TEUR	Unit	TEUR	Unit	TEUR	%	%
			(audited)				(unaudited)	
Revenue:								
Direct sales								
-Mainland China	141	13,202	261	21,077	328	24,818	59.7	17.7
-Outside Mainland China....	93	2,295	61	2,698	51	2,203	17.6	-18.3
Sales to trading companies	163	4,243	244	9,064	183	19,488	113.6	115.0
		19,740		32,839		46,509	66.4	41.6

Source: Consolidated Financial Statements

Sales to trading companies

The Company believes that substantially all sales of the Group's products to trading companies are subsequently sent by those companies to ultimate clients outside China. Consequently, the Company considers all its sales to trading companies as international sales. Revenues from sales to trading companies accounted for 21.5% of the Group's total sales in 2010, 27.6% in 2011 and 41.9% in 2012. Revenues from sales to trading companies increased from EUR 4,243 thousand in 2010 by 4,821 or 113.6% to EUR 9,064 thousand in 2011 and by 10,424 thousand or 115.0% to EUR 19,488 thousand in 2012. The increase in 2011 in relation to 2010 was mainly the result of an increased volume of sales (by 49.7% y/y) and an increase in the average price per unit (by 42.7% y/y). The increase in 2012 in relation to 2011 was due to the increased average price per unit (by 186.7% y/y) despite the decrease in the volume of sales (by 25% y/y). The growth of the average price per unit in 2012 in relation to 2011 resulted from the product mix change, i.e. the Group sold more full-servo machines in 2012 than in 2011, at a higher price per unit. Additionally, in 2012 the Group established cooperation with new trading companies, which generated sales of the Group's products valued EUR 2,403 thousand.

Direct sales outside mainland China

Direct sales outside mainland China were realised by executing direct orders from international clients. However, historically the Group did not focus on direct international sales, therefore its level varied depending on opportunities arising in given years.

Direct sales in mainland China

Revenues from direct sales in mainland China constituted 66.9% of the Group's sales in 2010, 64.2% in 2011 and 53.4% in 2012. Revenues from the direct sales in Mainland China increased from EUR 13,202 thousand in 2010 by 7,875 thousand or 59.7% to EUR 21,077 thousand in 2011 and by 3,741 or 17.7% to EUR 24,818 thousand in 2012. The increase in 2011 compared to 2010 was mainly the result of expanding the customer base in Fujian, Guangdong and Shandong. The nominal increase in 2012 compared to 2011 was mainly the result of currency translation effect. (See "*Key factors affecting operating and financial results*"). The relatively lower real growth in 2012 (in RMB terms) was the result of the Group's strategy for that year which focused on increasing its international sales and building new relations with trading companies. The real growth in mainland China was mainly generated by expanding the customer base in middle and western parts of China, such as Henan, Hunan, and Sichuan.

Cost of sales

The table below presents the Company's cost of sales.

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR (audited)	TEUR	% (unaudited)	%
Changes in inventories of finished goods and work in progress	(286)	(2,965)	948	936.7	-132.0
Materials consumed in production	9,777	18,916	23,717	93.5	25.4
-Glue machines and motors	2,874	6,516	8,312	126.7	27.6
-Steel	2,094	3,993	5,081	90.7	27.2
-Electric controllers	1,540	3,039	3,771	97.3	24.1
-Knife roller\cylinder	506	1,153	950	127.9	-17.6
-Other components	2,214	3,477	4,440	57.0	27.7
-Auxiliary materials	549	738	1,163	34.4	57.6

Labour	1,734	2,344	2,470	35.2	5.4
Depreciation and amortization	676	687	779	1.6	13.4
Outsourced manufacturing cost	512	817	884	59.6	8.2
Taxes and surcharges	33	297	470	800.0	58.2
Water and electricity	170	293	347	72.4	18.4
Others	57	65	75	14.0	15.4
Foreign currency translation difference	144	391	(71)	171.5	-118.2
	12,817	20,845	29,619	62.6	42.1

Source: Consolidated Financial Statements

The costs of sales is the cost of production reconciled by changes in inventories of finished goods and work in progress and foreign currency translation differences, which amounted to EUR 12,959 thousand in 2010, 23,419 thousand in 2011 and 28,742 thousand in 2012. Cost of production increased by 10,460 thousand or 80.7 % in 2011 compared to 2010 and by 5,323 thousand or 22.7% in 2012 compared to 2011.

Materials consumed in production

The main cost of production was materials consumed in production which constituted 75.4% of the Group's production costs in 2010, 80.8% in 2011 and 82.5 % in 2012. The cost of materials increased from EUR 9,777 thousand in 2010 by 9,139 or 93.5% to EUR 18,916 thousand in 2011 and by 4,801 thousand or 25.4% to EUR 23,717 thousand in 2012. The increase in the cost of materials was mainly caused by increased sales, which amounted to 66.4% in 2011 and 41.6% in 2012. The differences between the growth rates of increase of sales and materials consumed in production resulted mainly from different timing of procuring materials (on receiving orders for products) and delivery of the finished goods to the customers. See "*Business of the Group – Sales and Distribution – Delivery and payment terms*".

The cost of glue machines and motors constituted the most significant part of the Group's materials consumed in production. Glue machine and motor costs increased from EUR 2,874 thousand in 2010 by 3,642 or 126.7% to EUR 6,516 thousand in 2011 and by 1,796 or 27.6% to EUR 8,312 thousand in 2012. The distortion of the dynamics of the y/y changes (related to the costs of materials) above resulted from the changes in the product mix towards more complex machines (semi-servo and full-servo machines) requiring more glue machines and motors.

Labour

Labour is mainly the cost of employees directly involved in the production process as well as staff supporting production (among others: workshop maintenance staff, lorry drivers) and quality control staff. Labour constituted 13.4% of the Group's production costs in 2010, 10.0% in 2011, and 8.6% in 2012. The cost of labour increased from EUR 1,734 thousand in 2010 by 610 or 35.2% to EUR 2,344 thousand in 2011 and by 126 or 5.4% to EUR 2,470 thousand in 2012.

Annual labour costs depend on labour consumption (measured as the product of employee numbers and average working hours a day) and hourly wage.

Labour intensity differs depending on product category and technology used. In 2011, the 35.2% growth was related mainly to an increase in the number of working hours per day. See *Business Description*

Depreciation and amortisation

Depreciation and amortisation recorded in the cost of production represented the depreciation of plants and production machinery and the amortisation of leasehold land attributable to production plants. Depreciation and amortisation constituted 5.2% of the Group's production costs in 2010, 2.9% in 2011 and 2.7% in 2012. Depreciation and amortisation increased from EUR 676 thousand in 2010 by 11 or 1.6% to EUR 687 thousand in 2011 and by 92 or 13.4% to EUR 779 thousand in 2012. The increase was stable and in 2012 in the difference compared with 2011 was mainly the result of currency translation effect.

Outsourced manufacturing costs

Outsourced manufacturing costs are mainly costs paid for components, usually produced by the Group, which the group outsourced due to a temporary capacity shortage. Outsourced manufacturing costs constituted 4.0% of the Group's production costs in 2010, 3.5% in 2011 and 3.1% in 2012. Outsourced manufacturing costs increased from EUR 512 thousand in 2010 by 305 or 59.6% to EUR 817 thousand in 2011 and by 67 or 8.2% to EUR 884 thousand in 2012. The increase in 2011 in relation to 2010 was mainly the result of increased production, which triggered a temporary capacity shortage. The increase in 2012 in relation to 2011 was stable.

Taxes and surcharges

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), Local Surcharge for Education Fund (2% of Valued Added Tax payment amount).

Taxes and surcharges constituted 0.3% of the Group's cost of production in 2010, 1.4% in 2011 and 1.6% in 2012. The cost of taxes and surcharges increased from EUR 33 thousand in 2010 by 264 or 800.0% to EUR 297 thousand in 2011 and by 173 or 58.2% to EUR 470 thousand in 2012. The increase in 2011 in relation to 2010 was mainly the result of the fact that the local government began to charge most of these taxes and surcharges from the beginning of 2011, so there was a significant increase in 2011.

Gross profit

Gross profit increased from EUR 6,923 thousand in 2010 by 5,071 or 73.2% to EUR 11,994 thousand in 2011 and by 4,896 or 40.8% to EUR 16,890 thousand in 2012.

The Group's gross margin remained stable throughout the period under review while the Group's dynamic sales grew.

The following table presents the Group's gross profit broken down by product categories for each of the three years ending on 31 December 2010, 2011 and 2012.

	31 December			Change	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Segment gross profit					
Sanitary napkins machines	3,177	5,106	7,161	60.7	40.2
Diaper machines	2,131	3,512	5,923	64.8	68.7
Facial tissue machines	1,434	2,684	2,468	87.2	-8.0
Other paper machines	181	692	1,338	282.3	93.4
	6,923	11,994	16,890	73.2	40.8

Source: Consolidated Financial Statements

The following table presents the Group's gross margin broken down by product categories for each of the three years ending on 31 December 2010, 2011 and 2012.

	31 December			Change	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
	TEUR	**TEUR**	**TEUR**	**%**	**%**

		(unaudited)		(unaudited)	
Segment gross margin					
Sanitary napkins machines	35.8	38.0	36.7	2.3	(1.4)
Diaper machines	37.4	37.6	36.5	0.2	(1.1)
Facial tissue machines	31.7	33.6	34.6	1.8	1.0
Other paper machines	28.6	33.4	36.9	4.9	3.5
Total gross margin	35.1	36.5	36.3	1.5	(0.2)

Source: Consolidated Financial Statements

The Group's gross margin generally remained at stable in the period 2010 to 2012. The decrease of the gross margin in sanitary napkin machines and diaper machines segments in 2012 in relation to 2011 was mainly the result of increased costs with stable price of the products. The mentioned increase was a result of enhancing the quality of the Group's products in sanitary napkin machines and diaper machines segments.

Other income

The following table presents the Group’s other income broken down by categories for each of the three years ending on 31 December 2010, 2011 and 2012.

	31 December			Change	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Interest income on bank deposits	15	31	35	106.7	12.9
Government grant	113	44	85	-61.1	93.2
Rental income	20	19	21	-5.0	10.5
Sales of spare parts	7	65	59	828.6	-9.2
	155	159	200	2.6	25.8

Source: Consolidated Financial Statements

Government grants

Government grants contain various one-off grants the Group received from the PRC government, such as technical innovation supporting subsidies.

Rental income

Rental income of the group is entirely generated by Quanzhou Peixin from lease of buildings currently not used for the Group's operating activity. Rental income is calculated in net values (adjusted by depreciation on the rented assets). Gross rental income in 2010, 2011 and 2012 amounted to TEUR 63.8, 63.1 and 69.5 respectively.

Distribution and Selling Expenses

The table below presents distribution and selling expenses in 2010, 2011 and 2012.

	31 December			Change	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Staff costs	272	363	461	33.5	27.0
Marketing and advertising costs	257	293	301	14.0	2.7

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR (audited)	TEUR	% (unaudited)	%
Post-sales services costs	24	39	101	62.5	159.0
Travelling costs	43	52	99	20.9	90.4
Others	60	70	63	16.7	-10.0
	656	817	1,025	24.5	25.5

Source: Consolidated Financial Statements

Staff costs

Staff costs include salaries of the sales department staff, which comprise basic salary and performance based bonuses. Staff costs increased from EUR 272 thousand in 2010 by 91 or 33.5% to EUR 363 thousand in 2011 and by 98 or 27.0% to EUR 461 thousand in 2012.

Post-sales services costs

Post-sales services costs are mainly costs of spare parts used by the Group to service its products during the warranty period.

Others

Others are mainly administrative costs of the sales department, such as telecommunication costs.

Administrative expenses

Administrative expenses increased from EUR 816 thousand in 2010 by 131 or 16.1% to EUR 947 thousand in 2011 and by 272 or 28.7% to EUR 1,219 thousand in 2012.

The following table presents the Group's administrative expenses broken down into categories for each of the three years ending on 31 December 2010, 2011 and 2012.

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR (audited)	TEUR	% (unaudited)	%
Staff costs	274	286	326	4.4	14.0
Depreciation and amortization charges	230	310	401	34.8	29.4
Entertainment and office expenses	105	119	210	13.3	76.5
Miscellaneous taxes	142	159	186	12.0	17.0
Others	65	73	96	12.3	31.5
	816	947	1,219	16.1	28.7

Source: Consolidated Financial Statements

Staff costs

Staff costs include Management Board remuneration and remuneration of employees of HR, accounting department, purchasing department and general administration department.

Depreciation and amortisation charges

Depreciation and amortization recorded in the administrative expenses represented the depreciation of office buildings and employee dorms, and amortisation of leasehold land attributable to office buildings and employee dorms, as well as office equipment, motor vehicles, etc.

Entertainment and office expenses

Entertainment and office expenses include entertainment costs incurred in connection with relationships with third parties, including social organisations, as well as day-to-day office expenses.

Miscellaneous taxes

Miscellaneous taxes are mainly property tax, land use tax, stamp duties and various levies connected with conducting business.

Others

The majority of others are traffic and vehicle management fees.

Research and Development Expenses

Research and development expenses increased from EUR 701 thousand in 2010 by 81 or 11.6% to EUR 782 thousand in 2011 and by 237 or 30.3% to EUR 1,019 thousand in 2012.

The following table presents the Group's research and development expenses broken down into categories for each of the three years ending 31 December 2010, 2011 and 2012.

	31 December			Change	
	2010	**2011**	**2012**	**2010/2011**	**2011/2012**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Materials	247	282	482	14.2	70.9
Staff costs	399	437	453	9.5	3.7
Outsourced costs	47	53	73	12.8	37.7
Depreciation charges	8	10	11	25.0	10.0
	701	782	1,019	11.6	30.3

Source: Consolidated Financial Statements

Materials

Materials are mainly steel, motors, glue machines and electric *equipment used in research and development activity*.

Staff costs

Staff costs are mainly costs of remuneration of R&D department's employees.

Outsourced costs

Outsourced costs are mainly costs of cooperation with universities and other external R&D centres.

Depreciation charges

Depreciation and amortization recorded in the research and development expenses represented the depreciation of R&D equipment.

Other gains and losses

Other gains and losses are mainly disposal on the fixed assets, bad debt and foreign exchange gain.

Finance costs

Finance costs are interests connected to bank loans used for liquidity management.

Income tax expenses

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 income tax rate of Fujian Peixin in the years of 2010 and 2011 is 12.5%. Independently Fujian Peixin obtained the "High and New Technology" certificate in 2011 and the application for the High and New Technology tax deduction was approved in 2012, thus Fujian Peixin has been enjoying a low tax rate of 15% from 1 January, 2012. This reduction expires on 31 December 2013 if Fujian Peixin fails to renew the "High and New Technology" certificate. See "*Business of the Group – Quality – Industry standards and awards*". The effective tax rate of the Group was 14.0% for 2010, 13.3% in 2011 and 16.0% in 2012. The difference between statutory tax rate and effective tax rate results from the higher statutory tax rate from Quanzhou Peixin and the difference between calculating pre-tax profit for tax and accounting purposes. Moreover, throughout the analysed period, Quanzhou Peixin incurred a tax loss which could not be offset with the profit generated by Fujian Peixin.

Profitability analysis

The Group has been increasing its profitability since 2010, mainly due to increasing profitability on operating level (Operating margin) as well as providing relatively more revenue from the assets – very significant in 2011 (Asset turnover).

Profitability ratios in EUR (RMB)	**2010**	**2011**	**2012**
		(unaudited)	
Tax burden[1]	0.86	0.87	0.84
Interest burden[2]...	0.98	0.98	0.98
Operating margin[3]	0.25	0.29	0.30
Net margin[4]	0.21	0.25	0.24
Asset Turnover[5]..	1.21 (1.17)	1.42 (1.52)	1.51 (1.50)
ROA (Return on Assets)[6]	**0.25 (0.25)**	**0.36 (0.38)**	**0.37 (0.37)**
Leverage[7]	**1.50**	**1.43**	**1.42**
ROE (Return on Equity)[8]	**0.38**	**0.51**	**0.52**

* *RMB ratios are calculated based on EUR values adjusted by applicable exchange rate (See Key Accounting Policies), RMB ratios calculated based on exchange rates may vary from ratios calculated directly from Group's accounting records Ratios are not extracted from the Consolidated Financial Statements and are not based on IFRS.*

1 *Tax burden = Profit for the Year / Profit before tax*

2 *Interest burden = Profit before tax / Profit from operations*

3 *Operating margin = Profit from operations / Revenue*

4 *Net margin = Profit from the year / Revenue*

5 *Asset Turnover = Revenue / Average Assets*

6 *Return on Assets (ROA) = Tax Burden * Interest Burden * Operating margin * Asset Turnover (or) ROA = Profit for the Year / Average Assets*

7 *Leverage = Average Assets / Average Equity*

8 *Return on Equity (ROE) = ROA * Leverage (or) ROE = Profit for the Year / Average equity*

Source: the Company

Six-month period ending on 30 June 2013

In order to present the business, financial condition and results of operations for the six-month period ending 30 June 2013 in relation to the business of the Group, the following table presents the income statement data for the six-month periods ending on 30 June 2012 and 30 June 2013.

	Period ended		**Change**
	30/06/2012	**30/06/2013**	**2012/2013**
	TEUR	**TEUR**	**%**
	(unaudited)		
Revenue	22,459	27,395	22.0
Cost of sales	(14,042)	(17,224)	22.7
Gross profit	8,417	10,171	20.8
Other income	101	235	132.7
Distribution and selling expenses	(538)	(537)	(0.2)
Administrative expenses	(624)	(747)	19.7
Research and development expenses	(413)	(513)	24.2
Profit from operations	6,943	8,609	24.0
Other gains and losses	2	17	750.0
Finance costs	(116)	(125)	7.8
Profit before tax	6,829	8,501	24.5
Income tax expense	(1,087)	(1,252)	15.2
Profit for the period	5,742	7,249	26.2
Other comprehensive income			
-currency translation differences	866	895	3.3
Total comprehensive income for the year	**6,608**	**8,144**	23.2

Source: Consolidated Interim Financial Statements

Revenues

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

Revenues increased by EUR 4,936 thousand or 22%, from EUR 22,459 thousand for the six-month period ended on 30 June 2012 to EUR 27,395 thousand for the period ended on 30 June 2013. The increase of revenues was mainly the result of an increase of sales and number of units sold, especially units which were more technologically advanced such as full servo machines. The number of products not delivered in the first half of 2013 was higher than in the first half of 2012, which is reflected in the inventories and work in progress (see: "*Inventories*").

Revenue by products

The following table presents the Group's revenues broken down into product categories for the two six-month periods ending 30 June 2012 and 30 June 2013.

	Period ended	**Change in**

Revenue:	30/06/2012		30/06/2013		revenues 2012/2013
	Unit	TEUR	Unit	TEUR	%
		(unaudited)			
Sanitary napkins machines......................	31	9,569	35	12,239	27.9
Diaper machines......................................	14	7,432	22	10,062	35.4
Facial tissue machines.............................	196	3,717	231	3,720	0.1
Other paper machines	22	1,741	44	1,374	(21.1)
	263	22,459	332	27,395	22.0

Source: Consolidated Interim Financial Statements

Revenues from the sale of sanitary napkin machines constituted 42.6% of the Group's revenues for the six-month period ended 30 June 2012 and 44.7% for the six-month period ended 30 June 2013. Revenues from the sale of sanitary napkins machines increased by EUR 2,670 thousand, or 27.9%, from EUR 9,569 thousand for the period ended 30 June 2012 to EUR 12,239 thousand for the six-month period ended 30 June 2013. Revenues from the sale of diaper machines constituted 33.1% of the Group's revenues for the six-month period ended 30 June 2012 and 36.7% for the six-month period ended 30 June 2013. Revenues from the sale of diaper machines increased by 2,630 thousand, or 35.4%, from EUR 7,432 thousand for the period ended 30 June 2012 to EUR 10,062 thousand for the period ended 30 June 2013. Revenues from the sale of facial tissue machines constituted 16.6% of the Group's revenues for the six-month period ended 30 June 2012 and 13.6% for the six-month period ended 30 June 2013. Revenues from the sale of facial tissue machines increased by EUR 3 thousand, or 0.1%, from EUR 3,717 thousand for the six-month period ended 30 June 2012 to EUR 3,720 thousand for the six-month period ended 30 June 2013. Revenues from the sale of other paper machines constituted 7.8% of the Group's revenues for the six-month period ended 30 June 2012 and 5.0% for the six-month period ended 30 June 2013. Revenues from the sale of other paper machines decreased by EUR 367 thousand, or 21.1%, from EUR 1,741 thousand for the period ended 30 June 2012 to EUR 1,374 thousand for the six-month period ended 30 June 2013.

The Group experienced growth of revenues in sanitary napkins machines segment, mainly as a result of increase of sales of full servo machines in this segment. The Group also experienced a growth in diaper machines segment mainly driven by an increase of the number of machines sold whereas price per unit in this segment dropped as a result of change of the product mix sold in this segment. The Group experienced a growth in the number of units sold in facial tissue machines segment and in other paper machines segment with a slight growth of revenues in facial tissue machines segment and a decline of revenues in other paper machines segment, which was mainly driven by the different product mix sold in those segments (in H1 2012 the Group sold more high price per unit machines in other paper machines segment e.g. fruit pad machines, which translated into high level of revenues in this segment in H1 2012).

Revenue by geographical split

The following table presents the Group's revenues broken down by geographical split for the six-month periods ended 30 June 2012 and 30 June 2013. The Group distributes its products in China directly to its end users. The Group distributes its products internationally (i) through China-based trading companies that sell the Group's products on to customers and (iii) directly to international customers.

	Period ended				Change in revenues
	30/06/2012		30/06/2013		2012/2013
	Unit	TEUR	Unit	TEUR	%
		(unaudited)			
Revenue:					
Direct sales					
-Mainland China	129	12,382	219	15,817	27.7
-Outside Mainland China	23	739	21	1,779	140.7
Sales to trading companies	111	9,338	92	9,799	4.9
	263	22,459	332	27,395	22.0

Source: Consolidated Interim Financial Statements

Revenues from sales to trading companies constituted 41.6% of the Group’s total sales for the six-month period ended 30 June 2012 and 35.8% for the six-month period ended 30 June 2013. Revenues from the sales to trading companies increased by 461 thousand, or 4.9%, from EUR 9,338 thousand for the six-month period ended 30 June 2012 to EUR 9,799 thousand for the six-month period ended 30 June 2013.

Revenues from the direct sales outside mainland China constituted 3.3% of the Group’s sales for the six-month period ended 30 June 2012 and 6.5% for the six-month period ended 30 June 2013. Revenues from the direct sales outside mainland China increased by 1,040 thousand, or 140.7%, from EUR 739 thousand for the six-month period ended 30 June 2012 to EUR 1,779 thousand for the six-month period ended 30 June 2013. Revenues from the direct sales in mainland China constituted 55.1% of the Group’s sales for the six-month period ended 30 June 2012 and 57.7% for the six-month period ended 30 June 2013. Revenues from the direct sales in mainland China increased by 3,435, or 27.7%, from EUR 12,382 thousand for the six-month period ended 30 June 2012 to EUR 15,817 thousand for the six-month period ended 30 June 2013.

The increase of direct sale in mainland China was a result of the increase in the sales volume. The increase in direct sales to mainland China and outside mainland China was mainly the result of the Group’s focus on direct sales in line with the Group’s strategy. Direct sales outside mainland China was generated mainly in two segments: sanitary napkins machines and diapers machines.

Cost of sales

The following table presents the Group’s cost of sales for the six-month period ended 30 June 2012 and 30 June 2013.

	Period ended		Change
	30/06/2012	30/06/2013	2012/2013
	TEUR	TEUR	%
		(unaudited)	
Changes in inventories of finished goods and work in progress	(3,510)	(1,605)	-54.3
Materials consumed in production	14,751	15,284	3.6
-Glue machines and motors	5,073	5,870	15.7
-Steel	3,119	2,508	-19.6
-Electric controllers	2,306	2,817	22.2
-Knife roller\cylinder	631	636	0.8
-Other components	2,784	2,866	2.9
-Auxiliary materials	838	587	-30.0
Labour	1,283	1,639	27.7
Depreciation and amortization	374	585	56.4

Outsourced manufacturing cost	467	657	40.7
Taxes and surcharges *	169	228	34.9
Water and electricity	179	243	35.8
Others	26	55	111.5
Foreign currency translation difference	303	138	-54.5
	14,042	17,224	22.7

* *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).*

Source: Consolidated Interim Financial Statements

The cost of sales is the cost of production reconciled by changes in inventories of finished goods and work in progress and foreign currency translation differences, which amounted to EUR 17,249 thousand for the six-month period ended 30 June 2012 and EUR 18,691 for the six-month period ended 30 June 2013. Cost of production increased by EUR 1,442 thousand or 8.4% for the six-month period ended 30 June 2013 compared to the period ended 30 June 2012, whereas the cost of sales in the first half of 2013 increased by 22.7% as compared to the first half of 2012. The higher growth of the cost of sales than the costs of the production for the period was mainly the result of increase in changes in inventories of finished goods and work in progress. The materials consumed in production, which constituted the most significant cost of sales grew relatively slower than revenues in that period mainly as a result of increased sale of machines with higher price per unit, but requiring less material. The second most important cost was the cost of labour, which grew by 27.7 %, which was triggered by the increase in both the number of working hours and the average hourly wages for employees.

Gross profit

Gross profit increased by EUR 1,754 thousand, or 20.8%, from EUR 8,417 thousand for the six-month period ended 30 June 2012 to EUR 10,171 thousand for the six-month period ended 30 June 2013.

The following table presents the Group’s gross profit broken down by product categories for the six-month period ended 30 June 2012 and 30 June 2013.

	Period ended		**Change**
	30/06/2012	**30/06/2013**	**2012/2013**
	TEUR	**TEUR (unaudited)**	**%**
Segment gross profit			
Sanitary napkins machines	3,606	4,622	28.2
Diaper machines	2,760	3,786	37.2
Facial tissue machines	1,334	1,301	-2.5
Other paper machines	717	462	-35.6
	8,417	10,171	20.8

Source: Consolidated Interim Financial Statements

The following table presents the Group’s gross margin broken down into product categories for the six-month period ended 30 June 2012 and period ended 30 June 2013.

	Period ended		**Change**
	30/06/2012	**30/06/2013**	**2012/2013**
	%	**% (unaudited)**	**pp**

Segment gross margin			
Sanitary napkins machines	37.7	37.8	0.1
Diaper machines	37.1	37.6	0.5
Facial tissue machines	35.9	35.0	(0.9)
Other paper machines	41.2	33.6	(7.6)
Total gross margin	37.5	37.1	(0.4)

Source: the Company

The gross margin in the first half of 2013 compared to the first half of 2012 slightly decreased especially in the other paper machine segment. Other paper machines segment consists of many different kinds of machines with different levels of margins. In the first half of 2012, the Group sold more high-margin machines such as fruit pad machines compared to the first half of 2013.

Other income

The following table presents the Group's other income broken down by categories for the six-month period ended 30 June 2012 and 30 June 2013.

	Period ended		**Change**
	30/06/2012	**30/06/2013**	**2012/2013**
	TEUR	**TEUR (unaudited)**	**%**
Interest income on bank deposits	20	90	350.0
Government grant	52	-	-100.0
Rental income	11	18	63.6
Sales of spare parts	18	127	605.6
	101	235	132.7

Source: Consolidated Interim Financial Statement

Rental income

Gross rental income for the six-month period ended 30 June 2012 and for the six-month period ended 30 June 2013 amounted to EUR 11 thousand and EUR 18 thousand respectively.

Distribution and Selling Expenses

The table below presents the distribution and selling expenses for the six-month periods ending 30 June 2012 and 30 June 2013

	Period ended		**Change**
	30/06/2012	**30/06/2013**	**2012/2013**
	TEUR	**TEUR (unaudited)**	**%**
Staff costs	220	248	12.7
Marketing and advertising costs	195	130	-33.3
Post-sales services costs	53	73	37.7
Traveling costs	29	29	0.0
Depreciation	5	3	-40.0
Others	36	54	50.0
	538	537	-0.2

Source: Consolidated Interim Financial Statements

Staff costs

Staff costs constituted 40.8% of the Group's distribution and selling expenses for the six-month period ended 30 June 2012 and 46.2% for the six-month period ended 30 June 2013. Staff costs increased by EUR 28 thousand, or 12.7%, from EUR 220 thousand for the six-month period ended 30 June 2012 to EUR 248 thousand for the six-month period ended 30 June 2013 mainly as a result of the partially commission based remuneration of selling staff

Marketing and advertising costs

Marketing costs constituted 36.25% of the Group's distribution and selling expenses for the six-month period ended 30 June 2012 and 24.21 % for the six-month period ended 30 June 2013. Marketing costs decreased by EUR 65 thousand, or 33.3%, from EUR 195 thousand for the six-month period ended 30 June 2012 to EUR 130 thousand for the six-month period ended 30 June 2013. This decrease was mainly due to expenses on product promotion (such as video and design or the advertising brochure), which were incurred in the six-month period ended 30 June 2012 as opposed to the same period of 2013 when no such costs were generated.

Administrative expenses

Administrative expenses increased by EUR 123 thousand, or 19.7%, from EUR 624 thousand for the six-month period ended 30 June 2012 to EUR 747 thousand for the six-month period ended 30 June 2013.

The following table presents the Group's administrative expenses broken down into categories for the six-month period ended 30 June 2012 and 30 June 2013.

	Period ended		**Change**
	30/06/2012	**30/06/2013**	**2012/2013**
	TEUR	**TEUR (unaudited)**	**%**
Staff costs	148	184	24.3
Depreciation and amortisation charges	199	183	-8.0
Entertainment and office expenses	106	95	-10.4
Miscellaneous taxes	109	87	-20.2
Professional service fee	-	129	100.0
Others	62	69	11.3
	624	747	19.7

Source: Consolidated Interim Financial Statements

The higher staff costs in the six-month period ended 30 June 2013 which amounted to EUR 184 thousand as compared to EUR 148 thousand in the same period of the previous year were mainly due to increase of the average hourly wages for employees, but also as a result of the increased number of working hours.

In the six-month period ended 30 June 2013 the Group also paid a one-off professional service fee in connection with preparations for the Company's initial public offering.

Research and Development Expenses

Research and development expenses increased by EUR 100 thousand, or 24.2%, from EUR 413 thousand for the six-month period ended 30 June 2012 to EUR 513 thousand for the six-month period ended 30 June 2013 mainly as a result of cost of materials which was mainly a result of intensive research and the development on the new servo machines, such as the full servo baby training pants machine.

The following table presents the Group's research and development expenses broken down into categories for each six-month period ended 30 June 2012 and 30 June 2013.

	Period ended		Change
	30/06/2012	30/06/2013	2012/2013
	TEUR	TEUR	%
		(unaudited)	
Materials	198	301	52.0
Staff costs	209	208	-0.5
Depreciation charges	6	4	-33.3
	413	513	24.2

Source: Consolidated Interim Financial Statements

Statement of financial position

As at 31 December 2010, 31 December 2011 and 31 December 2010

In order to present the business, financial condition and result of operations for the last three financial years in relation to the business of the Group, the following table presents the balance sheet data of the Group as at 31 December 2010, 2011 and 2012 on a combined basis, which was derived from the audited Consolidated Financial Statement.

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Non-current assets					
Property, plant and equipment	9,069	9,533	9,574	5.1	0.4
Prepaid lease payments	954	1,006	965	5.5	-4.1
Investment properties	712	720	659	1.1	-8.5
Deferred tax assets	6	-	-	-100	-
Other deferred assets	796	1,022	810	28.4	-20.7
	11,537	12,281	12,008	6.4	-2.2
Current assets					
Inventories	4,198	7,044	6,734	67.8	-4.4
Trade and other receivables	1,167	3,161	4,429	170.9	40.1
Prepaid lease payments	21	23	22	9.5	-4.3
Related parties receivables	148	480	-	224.3	-100
Pledged bank deposits	143	-	-	-100	-
Bank balances and cash	1,875	4,014	11,435	114.1	184.9
	7.552	14.722	22.620	94.9	53.6
Current liabilities					
Trade and other payables	1,534	2,594	2,210	69.1	-14.8
Advance from customers	1,424	1,096	3,582	-23.0	226.8
Income tax payable	167	517	672	209.6	30.0
Bank borrowings	3,060	3,498	4,034	14.3	15.3
Net current assets	1,367	7,017	12,122	413.3	72.8
Total assets less current liabilities	12,904	19,298	24,130	49.6	25.0
Non-current liability	-	-	-		
Net asset	12,904	19,298	24,130	49.6	25.0

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR (audited)	TEUR	% (unaudited)	%
Capital and reserves					
Share/paid-in capital	41	41	41	0.0	0.0
Reserves	12,863	19,257	24,089	49.7	25.1
Total equity	12,904	19,298	24,130	49.6	25.0

Source: Consolidated Financial Statements

Non-current assets

Property, plant and equipment

Property, plant and equipment mainly consists of buildings, plants and machinery, equipment and motor vehicles.

Property, plant and equipment other than construction in-progress are depreciated on a straight-line basis with 5.0% residual value at the following rates per annum:

The current depreciation rates of the Group's property, plant and equipment are as follows:

Asset group	Depreciation rate (unaudited)
Buildings	4.8%
Machinery & equipment	9.5%
Electronic & other facilities	19.0%
Motor vehicles	9.5%

Source: the Company

Property plant and equipment increased from EUR 9,069 thousand in 2010 by 464 or 5.1% to EUR 9,533 thousand in 2011 and by 41 or 0.4% to EUR 9,574 thousand in 2012. The nominal increase in 2011 in relation to 2010 was mainly the result of currency translation. The RMB value of the net assets decreased in that period mainly as a result of surplus of depreciation and disposal of old machinery over maintenance capital expenditures, mainly for new machinery related to the production. The increase in 2012 in relation to 2011 adjusted by currency translation was mainly as a result of machine workshop building development.

Prepaid lease payments

All prepaid lease payments are related to leaseholds of all land used by the Group in China. The leasehold agreements are concluded for 50 years. See ”*Legal Environment*” and ”*Business of the Group*”. Due to the terms of the leases, all leasehold land is depreciated by 2% per annum (straight line). The table below presents the land leaseholds of the Group.

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

Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2053-07-25	786

Investment properties

Investment properties consist of buildings belonging to the Group, which are leased to third parties. The changes in the investment properties are the result of currency translation and depreciation of the properties.

Other deferred assets

Other deferred assets consist of certain assets not used for production activities such as: roads and landscape structures. The costs related to the other deferred assets are depreciated at a rate of 10.0%. Other deferred assets increased from EUR 796 thousand in 2010 by 226 or 28.4% to EUR 1,022 thousand in 2011. The increase was mainly the result of new investment and currency exchange rate fluctuations. Other deferred assets decreased from EUR 1,022 thousand in 2011 by 212 or 20.7% to EUR 810 thousand in 2012. The decrease was mainly the result of depreciation.

Current assets

Inventories

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

The table below presents the breakdown of inventories of the Group as at 31 December 2010, 2011 and 2012.

	Year ended (audited)		
	31/12/2010	**31/12/2011**	**31/12/2012**
	TEUR	**TEUR (audited)**	**TEUR**
Raw materials and consumables	2,652	2,533	3,171
Work in progress	1,239	3,527	1,028
Finished goods	307	984	2,535
	4,198	7,044	6,734

Source: Consolidated Financial Statements

The table below presents the raw material and consumables composition of the Group as at 31 December 2010, 2011 and 2012.

	Year ended (unaudited)		
	31/12/2010	**31/12/2011**	**31/12/2012**
Glue machines and motors	981.84	331.27	300.69
Steel	427.68	1135.96	1559.6
Electronic controllers	496.32	379.88	341.94
Knife roller/cylinder	97.24	44.00	104.06
Other components	623.83	552.51	693.69
Auxiliary materials	16.22	90.38	170.72

Source: the Company

The level of inventories depends on types (product mix) and volume of orders received by the Group. The level of a particular segment: raw materials, work in-progress and finished goods, depends on the timing of the orders placed by the clients. In 2011, the works inprogress and finished goods increased (triggering a decrease in raw materials) as more orders were at an advanced stage of production as of 31 December 2011. In 2012, the Group received an increased number of orders from clients in the period immediately preceding 31 December 2011, and purchased more raw materials and consumables. Moreover, in the period immediately preceding 31 December 2012, the Group completed a significant amount of machines that were to be delivered to the clients in 2013. Therefore, the decrease of works in-progress was offset by the increase of finished goods.

In general, from 2012 the Group improved its inventory management and decreased the days of inventory outstanding. The table below presents the days of inventory outstanding of the Group as at 31 December 2010, 2011 and 2012.

Days of Inventory Outstanding (DIO)*	**2010**	**2011**	**2012**
		(unaudited)	
in EUR	134	120	99
in RMB	139	111	99

RMB ratios are calculated based on EUR values adjusted by applicable exchange rate (See Key Accounting Policies), RMB ratios calculated based on exchange rates may vary from ratios calculated directly from Group's accounting records. Ratios are not extracted from the Consolidated Financial Statements and are not based on IFRS.
**DIO = (1/Inventory Turnover)*365*
Inventory Turnover = adjusted Cost of Sales / average Inventory
adjusted Cost of Sales are Cost of Sales excluding Labour, Amortization & Depreciation, Taxes & Surcharges, Water & Electricity, Others

Source: the Company

Trade and other receivables

Trade receivables constituted the majority of trade and other receivables amounting to 92.6% in 2010, 98.4% in 2011 and 86.7% in 2012. The majority of the remaining other receivables constituted prepayments. In 2012, the share of trade receivables in trade and other receivables decreased as a result of an increase in prepayments from EUR 42 thousand to EUR 543 thousand mainly as a result of the change of payment conditions of selected Group suppliers. Trade and other receivables increased from EUR 1,167 thousand in 2010 by EUR 1,994 thousand or 170.9% to EUR 3,161 thousand in 2011 and by EUR 1,268 thousand or 40.1% to EUR 4,429 thousand in 2012. The increase was mainly the result of the increase in sales of the Group's products, supported in 2011 in relation to 2010 by an extension of payment terms for selected clients, which increased the days of sales outstanding.

The table below presents days of sales outstanding of the Group as at 31 December 2010, 2011 and 2012.

Days of Sales Outstanding (DSO)*	**2010**	**2011**	**2012**
		(unaudited)	
in EUR	16	23	27
in RMB	16	22	27

RMB ratios are calculated based on EUR values adjusted by applicable exchange rate (See Key Accounting Policies), RMB ratios calculated based on exchange rates may vary from ratios calculated directly from Group's accounting records. Ratios are not extracted from the Consolidated Financial Statements and are not based on IFRS.
**DSO = (1/Receivables Turnover)*365*
Receivables Turnover = Revenue / average Trade Receivables

Source: the Company

Most of the Group's trade and other receivables were paid on time. The level of receivables settled in due time was 95.5% in 2010, 86.7% in 2011 and 97.2% in 2012. The increase in past due receivable in 2011 was the result of financial difficulties of some customers. The level of the Group's bad debt resulting from impairment of receivables amounted to EUR 54 thousand in 2012 and there was no bad debt in 2010 and 2011. The table below presents the Group's receivables which are past due but not impaired as at 31 December 2010, 2011 and 2012.

	Year ended		
	31/12/2010	**31/12/2011**	**31/12/2012**
	TEUR	**TEUR (audited)**	**TEUR**
Past due for less than 3 months	19	179	51
Past due for over 3 months but less than 9 months	34	242	72
	53	421	123

Source: Consolidated Financial Statements

Prepaid lease payments

Prepaid lease payments consist of current portion of prepaid lease payments due to the leasehold of the land.

Related parties receivables

Related parties receivables consist of sales of the Group's products to Chongqing Sishuang Sanitary Products Co. Ltd in 2010 and 2011, which is a related entity of Mr Xie (majority shareholder of the Group) as a minor shareholder of Chongqing Sishuang Sanitary Products Co. Ltd. The receivables were repaid in 2011. There were no related-party receivables at the end of 2012.

Bank balances and cash

Bank balances and cash increased from EUR 1,875 thousand in 2010 by 2,139 or 114.1% to EUR 4,014 thousand in 2011 and by 7,421 or 184.9% to EUR 11,435 thousand in 2012. The increase was mainly the result of cash generated from the Group's operations.

The Group’s production process requires the Group to make significant prefunding of the materials used for production. Given the increase of the Group’s sales, the demand for operating cash level is growing accordingly. In order to limit the amount of operating cash necessary, the Group consistently improves the cash-conversion cycle. The table below presents the Group’s cash-conversion cycle in 2010, 2011 and 2012.

Cash Conversion Cycle (CCC)*	**2010**	**2011**	**2012**
		(unaudited)	
in EUR	133	122	105
in RMB	138	114	106

RMB ratios are calculated based on EUR values adjusted by applicable exchange rate (See Key Accounting Policies), RMB ratios calculated based on exchange rates may vary from ratios calculated directly from Group’s accounting records. Ratios are not extracted from the Consolidated Financial Statements and are not based on IFRS.

**CCC = DSO (Days of Sales Outstanding) + DIO (Days of Inventory Outstanding) – DPO (Days of Payable Outstanding)*

Source: the Company

In 2011 and 2012, the cash-conversion cycle decreased mainly as a result of improved inventory management (decreased days of inventory outstanding). This was partially offset by the increase of payment periods granted to customers.

Current liabilities

Trade and other payables

Trade and other payables consist mainly of amounts payable to suppliers (for the purchase of raw materials and products) and salary payables. This also included the amount of EUR 477 thousand of notes payable related to the bills of exchange issued by Fujian Peixin in 2010 and repaid in 2011. Trade and other payables increased from EUR 1,534 thousand in 2010 by 1,060 or 69.1% to EUR 2,594 thousand in 2011. The increase was mainly the result of an increase of the scale of the Group's operations. Trade and other payables decreased from EUR 2,594 thousand in 2011 by 384 or 14.8% to EUR 2,210 thousand in 2012, despite the further increase of the Group's operations as a significant number of the Group's liabilities were settled in cash.

The Group has been maintaining a stable payment policy settling its trade payables within 17-21 days. The relatively short payment period results from the business characteristics (i.e. short payment period terms for commodities such as steel and a significant amount of prepayments).

The table below presents Days of Payable Outstanding in 2010, 2011 and 2012.

Days of Payable Outstanding (DPO)*	**2010**	**2011**	**2012**
		(unaudited)	
in EUR	17	21	21
in RMB	17	19	21

RMB ratios are calculated based on EUR values adjusted by applicable exchange rate (See Key Accounting Policies). RMB ratios calculated based on exchange rates may vary from ratios calculated directly from Group's accounting records. Ratios are not extracted from the Consolidated Financial Statements and are not based on IFRS.

**DPO = (1/Payables Turnover)*365*

Payable Turnover = Purchases / average Trade Payables

Purchases = adjusted Cost of Sales + change in Inventory

adjusted Cost of Sales are Cost of Sales excluding Labour, Amortization & Depreciation, Taxes & Surcharges, Water & Electricity, Others

Source: the Company

Advance from customers

A significant part of the orders received from clients is prepaid (See "*Business of the Group – Sales and Distribution – Delivery and Payment Terms*"). Advances from customers decreased from EUR 1,424 thousand in 2010 by 328 or 23.0% to EUR 1,096 thousand in 2011. Advances from customers increased from EUR 1,096 by 2,486 or 226.8% to EUR 3,582 thousand in 2012. The fluctuations were mainly a result of the timing of orders.

Income tax payable

Income tax payable increased from EUR 167 thousand in 2010 by 350 or 209.6% to EUR 517 thousand in 2011 and by 155 or 30.0% to EUR 672 thousand in 2012. The fluctuation was the result of tax prepayments and final amounts of tax to be paid for the year.

Bank borrowings

Bank borrowings increased from EUR 3,060 thousand in 2010 by 438 or 14.3% to EUR 3,498 thousand in 2011 and by 536 or 15.3% to EUR 4,034 thousand in 2012. The increase was mainly the result of an increase of the Group's operations.

Non-current liability

In the period covered by the Consolidated Financial Statements, the Group did not have non-current liabilities.

All the leasehold rights to the land the Group possesses, as well as 73.5% of the book value (at 31 December 2012) of buildings, are currently pledged to secure its bank borrowing (constituting current liabilities). The Company believes that the value of the loans in relation to the respective collateral was set on market conditions. Based on its knowledge of the market practice, the Company further believes that receiving bank borrowings without providing collateral in the form of leasehold right to the land or buildings may lead to significant difficulties.

Capital and reserves

Capital and reserves increased from EUR 12,904 thousand in 2010 by EUR 6,394 thousand or 49.6% to EUR 19,298 thousand in 2011 and by 4,832 or 25.0% to EUR 24,130 thousand in 2012. The increase was mainly the result of the increase in retained earnings of EUR 4,157 thousand or 53.9% in 2011 in relation to 2010 and EUR 5,102 thousand or 43.0% in 2012 in relation to 2011.

Share premium represents the surplus of the shareholders contribution over the share/paid in capital.

The statutory surplus reserve level under PRC law (see "*Legal Environment*") as at 31 December 2011 has been reached.

Other comprehensive income resulting from the translation of financial statements from RMB into EUR amounted to EUR 1,043 thousand as at 31 December 2010, EUR 2,449 thousand as at 31 December 2011 and EUR 2,179 thousand as at 31 December 2012.

As at 31 December 2012 and 30 June 2013

The following table presents the balance sheet data of the Group for the six-month period ended as at 31 December 2012 and 30 June 2013 on a combined basis, which was derived from the Consolidated Interim Financial Statement.

	Period ended		**Change**
	31/12/2012	**30/06/2013**	**2012/2013**
	TEUR	**TEUR (unaudited)**	**(%)**
Non-current assets			
Property, plant and equipment	9,574	9,213	-3.8
Prepaid lease payments	965	985	2.1
Investment properties	659	656	-0.5
Other deferred assets	810	737	-9.0
	12,008	11,591	-3.5
Current assets			
Inventories	6,734	9,149	35.9
Trade and other receivables	4,429	14,407	225.3
Prepaid lease payments	22	23	4.5
Bank balances and cash	11,435	9,674	-15.4
	22,620	33,253	47.0
Current liabilities			
Trade and other payables	2,210	3,132	41.7

Advance from customers	3,582	4,442	24.0
Income tax payable	672	830	23.5
Bank borrowings	4,034	4,166	3.3
	10,498	12,570	19.7
Net current assets	12,122	20,683	70.6
Total assets less current liabilities	24,130	32,274	33.8
Non-current liability	-	-	0.0
Net asset	24,130	32,274	33.8
Capital and reserves			
Paid-in capital	41	41	0.0
Reserves	24,089	32,233	33.8
Total equity	24,130	32,274	33.8

Source: Consolidated Interim Financial Statements

Non-current assets

Property plant and equipment decreased by EUR 361 thousand, or 3.8%, from EUR 9,574 thousand as at 31 December 2012 to EUR 9,213 thousand for the six-month period ended 30 June 2013.

Current assets

Inventories

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

The table below presents the breakdown of inventories of the Group as at 31 December 2012 and 30 June 2013.

	Period ended	
	31/12/2012	**30/06/2013**
	TEUR	**TEUR**
	(unaudited)	
Raw materials and consumables	3,171	3,981
Work in progress	1,028	4,896
Finished goods	2,535	272
	6,734	9,149

Source: Consolidated Interim Financial Statements

The level of a particular segment: raw materials, work in progress and finished goods, depends on the timing of the orders placed by the clients. The Group received an increased number of orders from clients mainly in the three-month period preceding 30 June 2013 and more machines were under construction, consequently work in progress and raw materials and consumables increased. On the other hand finished goods level decreased as finished machines were delivered to the clients.

The table below presents the raw material and consumables composition of the Group as at 30 June 2012 and 30 June 2013.

	Period ended		Change
	30/06/2012	30/06/2013	2012/2013
	TEUR	TEUR (unaudited)	(%)
Glue machines and motors	692.32	840.68	21.4
Steel	1,321.77	1,563.95	18.3
Electronic controllers	515.83	549.56	6.5
Knife roller/cylinder	28.54	97.38	241.2
Other components	546.33	782.37	43.2
Auxiliary materials	66.22	147.06	122.0

Source: the Company

Trade and other receivables

Trade and other receivables constituted the majority of trade and other receivables for the six-month period ended 30 June 2013. The majority of the remaining other receivables constituted prepayments. Trade and other receivables increased by EUR 9,978 thousand, or 225.3%, from EUR 4,429 thousand for the six-month period ended 30 June 2012 to EUR 14,407 thousand for the six-month period ended 30 June 2013. The increase was mainly the result of the improved payment terms (including through extended payment periods) that the Group offered to its main customers in China, in particular to those with whom the Group had a long-lasting commercial relationship and who were in the process of consolidation and hence lacked immediately-available funds to pay for the Group's machines (for more details regarding the Group's payment policy, see "*Business of the Group – Sales and Distribution – Delivery and payment terms"*). Moreover, significant orders were delivered in the period directly preceding 30 June 2013, increasing amount of trade receivables as of that date. Major portion of these receivables have been collected in course of July, decreasing the amount of trade and other receivables by EUR 6,362 thousand or by 44.1% to EUR 8,045 thousand as at 31 July 2013 and increasing the amount of bank balances and cash by EUR 4,679 thousand or 48% to EUR 14,353 thousand as at 31 July 2013.

Bank balances and cash

Bank balances and cash decreased by EUR 1,761 thousand, or 15.4%, from EUR 11,435 thousand for the six-month period ended 30 June 2012 to EUR 9,674 thousand for the six-month period ended 30 June 2013.

Current liabilities

Trade and other payables

Trade and other payables consist of amounts payable to suppliers for the purchase of raw materials and products. Trade and other payables increased by EUR 922 thousand, or 41.7%, from EUR 2,210 thousand for the six-month period ended 30 June 2012 to EUR 3,132 thousand for the six-month period ended 30 June 2013. The increase was mainly the result of significant purchases of raw materials and components necessary for the completion of current orders.

Advance from customers

Advance from customers increased by EUR 860 thousand, or 24.0%, from EUR 3,582 thousand for the six-month period ended 30 June 2012 to EUR 4,442 thousand for the six-month period ended 30 June 2013. The increase was mainly the result of the Group receiving an increased number of orders from clients in the period proceeding 30 June 2013.

Non-current liability

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

Capital and reserves

Capital and reserves increased by EUR 8,144 thousand, or 33.8%, from EUR 24,130 thousand for the six-month period ended 30 June 2012 to EUR 32,274 thousand for the six-month period ended 30 June 2013. The increase was mainly the result of retained profits.

Liquidity and sources of funding

The Group maintained high liquidity levels, mainly due to holding a significant *Bank deposits and Cash* position throughout the years. The Group benefits from being highly liquid, i.e. due to the possibility of purchasing materials (commodities) at favourable prices. Due to strict debt policy (see "Non current liability"), part of the Group cash position (resulting from Retained Earnings) is held to support further capital expenditures.

All the leasehold rights to the land the Group possesses, as well as 74.5% of the book value (on 30 June 2013) of buildings, are currently pledged to secure its bank borrowings (constituting current liabilities). The Company believes that the value of the loans in relation to the respective collateral was set on market conditions. Based on its knowledge of the market practice, the Company further believes that receiving bank borrowings without providing collateral in the form of leasehold rights to the land or buildings may lead to significant difficulties.

The table below provides different liquidity ratios. The liquidity ratios included below are not extracted from the Consolidated Financial Statements and are not based on IFRS. Significant differences between ratio levels result from collection periods – relatively high for inventory and receivables in relation to payables. Currency change has no impact on liquidity-ratios calculation.

	31 December 2010	**31 December 2011**	**31 December 2012**
		(unaudited)	
Current Ratio (CR)*	1.22	1.91	2.15
Quick Ratio (QR)**	0.53	0.99	1.46
Cash Ratio ***	0.30	0.52	1.09

** CR = Current Assets / Current Liabilities*
*** QR = (Current Assets – Inventory) – Prepaid Lease Payments - Prepayments) / Current Liabilities*
**** Cash Ratio = Bank Deposits and Cash / Current Liabilities*

Source: the Company

The Company believes that the Group's working capital is sufficient for the Group's present requirements; that is: for at least twelve months following the date of this Prospectus.

Statement of cash flows

Years ended 31 December 2010, 31 December 2011 and 31 December 2012

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Operating activities					
Profit before tax	4,823	9,456	13,527	96.1	43.1
Adjustments for:					
Finance cost	118	169	247	43.2	46.2
Interest income	(15)	(31)	(35)	106.7	12.9
Depreciation of property, plant and equipment	832	869	961	4.4	10.6
Amortisation of prepaid lease payments	21	21	23	0.0	9.5
Amortisation of investment properties	44	44	48	0.0	9.1
Amortisation of other deferred assets	69	125	196	81.2	56.8
(Gain) loss on disposal of property, plant and equipment	(32)	10	-	-131.3	-100.0
Operating cash flows before movements in working capital	5,860	10,663	14,967	82.0	40.4
(Increase) decrease in inventories	(944)	(2,846)	310	201.5	-110.9
(Increase) in trade and other receivables	(464)	(1,994)	(1,268)	329.7	-36.4
(Increase) decrease in related parties receivables	(148)	(332)	480	124.3	-244.6
Decrease in pledged bank deposits	469	143	-	-69.5	-100.0
(Increase) in other deferred assets	(558)	(272)	-	-51.3	100.0
Increase (decrease) in trade and other payables	(58)	1,060	(384)	-1,927.6	-136.2
Increase (decrease) in advance from customers	520	(328)	2,486	-163.1	857.9
(Decrease) in related parties liabilities	(36)	-	-	100.0	0.0
Cash generated from operations	4,641	6,094	16,591	31.3	172.3
Income taxes paid	(612)	(951)	(1,991)	55.4	109.4
NET CASH FROM OPERATING ACTIVITIES	4,029	5,143	14,600	27.6	183.9
Investing activities					
Interest received	15	31	35	106.7	12.9
Purchase of property, plant and equipment	(2,331)	(707)	(1,184)	-69.7	67.5
Prepayment on prepaid lease payments	(26)	-	-	-100.0	0.0
Proceeds on disposal of property, plant and equipment	150	54	-	-64.0	-100.0
NET CASH USED IN INVESTING ACTIVITIES	(2,192)	(622)	(1,149)	-71.6	84.7
Financing activities					
Interest paid	(118)	(169)	(247)	43.2	46.2
Dividends paid	(1,124)	(3,207)	(6,267)	185.3	95.4
New bank loans raised	3,916	3,166	4,094	-19.2	29.3
Repayment of borrowings	(3,249)	(2,988)	(3,484)	-8.0	16.6
NET CASH USED IN FINANCING ACTIVITIES	(575)	(3,198)	(5,904)	456.2	84.6

	31 December			Change	
	2010	2011	2012	2010/2011	2011/2012
	TEUR	TEUR (audited)	TEUR	% (unaudited)	%
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,262	1,323	7,547	4.8	470.4
Less: Exchange difference	293	816	(126)	178.5	-115.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	320	1,875	4,014	485.9	114.1
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	1,875	4,014	11,435	114.1	184.9

Source: Consolidated Financial Statements

Net cash from operating activities

Net cash from operating activities increased from EUR 4,029 thousand in 2010 by 1,114 or 27.6% to EUR 5,143 thousand in 2011 and by 9,457 or 183.9% to EUR 14,600 thousand in 2012. The increase was mainly the result of a significant increase of profit before tax, partially offset by a change in working capital (except for 2012, when the inventory management improved the cash flow).

Net cash used in investing activities

Net cash used in investing activities increased from EUR -2,192 thousand in 2010 by 1,570 or 71.6% to EUR -622 thousand in 2011. Net cash used in investing activities decreased from EUR -622 thousand in 2011 by 527 or -84.7% to EUR –1,149 thousand in 2012. The fluctuation was mainly the result of purchases of property plant and equipment in 2011.

Net cash used in financing activities

Net cash used in financing activities decreased from EUR -575 thousand in 2010 by 2,623 or 456.2% to EUR -3,198 thousand in 2011 and by 2,706 or 84.6% to EUR -5,904 thousand in 2012. The decrease was mainly the result of dividend payments.

Six-month periods ended 30 June 2012 and 30 June 2013

	Period ended		Change
	30/06/2012	30/06/2013	2012/2013
	TEUR	TEUR (unaudited)	%
Operating activities			
Profit before tax	6,829	8,501	24.5
Adjustments for:			
Finance cost	116	125	7.8
Interest income	(20)	(90)	350.0
Depreciation of property, plant and equipment	475	666	40.2
Amortisation of prepaid lease payments	11	11	0.0
Amortisation of investment properties	24	24	0.0
Amortisation of other deferred assets	98	98	0.0
Operating cash flows before movements in working capital	7,533	9,335	23.9
(Increase) in inventories	(3,766)	(2,415)	-35.9

(Increase) in trade and other receivables	(1,104)	(9,978)	803.8
Decrease in related parties receivables	409	-	-100.0
Increase in trade and other payables	8	922	11425.0
Increase in related parties payable	332	-	-100.0
Increase in advance from customers	6,876	860	-87.5
Cash generated from / used in operations	10,288	(1,276)	-112.4
Income taxes paid	(916)	(1,118)	22.1
NET CASH FROM / USED IN OPERATING ACTIVITIES	9,372	(2,394)	-125.5
Investing activities			
Interest received	20	90	350.0
Purchase of property, plant and equipment	(1)	-	-100.0
NET CASH FROM INVESTING ACTIVITIES	19	90	373.7
Financing activities			
Interest paid	(116)	(125)	7.8
Dividends paid	(6,267)	-	-100.0
NET CASH USED IN FINANCING ACTIVITIES	(6,383)	(125)	-98.0
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	3,008	(2,429)	-180.8
Add: Exchange difference	589	668	13.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,014	11,435	184.9
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	7,611	9,674	27.1

Source: Consolidated Interim Financial Statements

Net cash from operating activities

Net cash from operating activities decreased by EUR 11,766, or 125.5%, from EUR 9,372 thousand for the six-month period ended 30 June 2012 to EUR 2,394 thousand for the six-month period ended 30 June 2013. The changes in net cash from operating activities was mainly the result of increase of accounts receivable due to extension of payment period granted to customers. No dividend was paid by any of the Group Companies in the six-month period ended 30 June 2013.

Future commitments

As at the date of this Prospectus, the Group did not have any material commitments.

Recent developments

There were no significant developments in the financial or trading position of the Group between the end of the period covered by the Consolidated Financial Statement and the Date of the Prospectus.

Outlook

This section contains forward-looking statements. Such forward-looking statements are not guarantees of future financial performance, and the Group's actual future results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those discussed below and elsewhere in this Prospectus, particularly in "Risk factors" (see also "Important information – Forward-Looking Statements"). Investors are urged not to place undue reliance on the forward-looking statements set out below.

The Company believes that the factors affecting operating and financial results (See: - "*Key factors affecting operating and financial results*") will also affect the Group's operations in 2013.

The Company further believes that the diaper market will experience growth globally in 2013 owing to a number of factors. Positive trends include increasing world population, improving economic conditions and healthcare. Growing economies with markets not as deeply penetrated as the developed countries offer exceptional potential for the diaper business.

The Management also believes that in 2013 the demand for underpads will increase, mostly driven by improved healthcare and health awareness.

It is expected that with the growing demand for hygiene products, manufacturers in China require more advanced machinery including full and semi-servo machines in 2013, while producers from developed countries continue to look for cost-efficient full and semi-servo machines. The Group believes that the expansion of the distribution network and promotional efforts will lead to increased export volumes in 2013 which may allow to sell parts of the Group's products with higher margins.

Critical accounting policies

The principal accounting policies adopted in preparation of the financial statements are set out below. The policies have been consistently applied to all 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.

Foreign currencies

Functional and presentation currency

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

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

The presentation currency of the Group is EUR, being the presentation currency with respect to the planned IPO's intended ultimate Dutch-domiciled legal parent and holding company, and therefore the financial information has been translated from RMB to EUR at the following rates:

	Period end rates	**Average rates**
31 December 2010...........................	EUR 1.00 = RMB 8.8065	EUR 1.00 = RMB 8.9247
31 December 2011...........................	EUR 1.00 = RMB 8.1625	EUR 1.00 = RMB 9.0168
31 December 2012...........................	EUR 1.00 = RMB 8.3176	EUR 1.00 = RMB 8.1948
30 June 2012	EUR 1.00 = RMB 7.8710	EUR 1.00 = RMB 8.1957
30 June 2013	EUR 1.00 = RMB 8.0536	EUR 1.00 = RMB 8.1701

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation in the IPO prospectus of its intended ultimate legal parent as follows:

1. Assets and liabilities for each balance sheet presented are translated at the closing rate on 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 on 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 recognised in translation reserves, a separate component of equity.

Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate prevailing on 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 recognised in the income statement.

Non-monetary items are measured in terms of historical costs in a foreign currency and 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 on the date that the fair value was determined.

Segment reporting

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

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

Revenue recognition

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

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

- the Group has transferred the significant risks and rewards of owning the goods to the buyer;
- 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 the sale of goods is recognised 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.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development is recognised 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 reliably measure the expenditure attributable to the intangible asset during its development.

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

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 benefit 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 recognised as an expense in the period in which the related service is performed.

Taxation

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

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

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred tax assets and liabilities are not recognised 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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 recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account 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 recognised 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 derecognised 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 derecognised.

Leasing

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

The Group as lessor

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

Leasehold land

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Inventories

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

INDUSTRY OVERVIEW

Introduction

The Group's business focuses on designing, producing 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.

The Group's products are sold on both international and Chinese markets (for details see "Business of the Group – Sales and Distribution"). Given that in 2012 the Chinese market accounted for around half of the Group's revenues and it is Group's domestic market it can be considered as the key for the Group.

Given the above, this section of the Prospectus includes a description of the key trends and drivers which affect the hygienic products market as factors that directly translate into the situation on the Group's product market, with a focus on the situation on the Chinese market. In addition, this section contains information on the machinery market prepared based on the analysis made by the Group's management.

Note that information in this section is based on various sources, including: IMF, NBSC, CNHPIA, World Bank, Global Diaper Market Report: 2012 Edition by Koncept Analytics and Directory of Tissue Paper & Disposable Products 2012/2013. The market data, financial information and statistics included in these sources might have been prepared based on different methodologies and approaches and therefore, may not be fully comparable. Concerning the machinery market, the Company has not identified any independent analytical research reports on this market that could serve as the basis for the market description in the Prospectus. Consequently, the information on the machinery market is limited to and based only on the analysis made by the Group's management.

Chinese economy

The Chinese economy has been one of the fastest growing in the world in recent years. Economic reforms initiated by the PRC Government in the late 1970s transformed China's economy from a centrally-planned, state-run economy to a more market-oriented economy. The constant and rapid growth of the Chinese economy is indicated by dynamic increase of the Chinese gross domestic product ("GDP"). The PRC's GDP per capita has grown at a compound annual growth rate of 19.7% from 2006 to 2012 (real growth, source: NBSC). As a result, it is the world's second largest economy in terms of GDP nominal (source: IMF). The following tables describe annual GDP real growth and nominal GDP from 2006 to 2012 compared to other major world economies:

Annual GDP growth (real, YoY %)

				Year			
Country	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
China	12.7	14.2	9.6	9.2	10.4	9.3	7.8
USA	2.7	1.9	(0.3)	(3.1)	2.4	1.8	2.2
India	9.4	10.1	6.2	5.0	11.2	7.7	3.9
Brazil	3.9	6.1	5.2	(0.3)	7.5	2.7	0.9
Euro Area	3.2	2.9	0.3	(4.3)	2.0	1.4	(0.5)
Poland	6.2	6.8	5.1	1.6	3.9	4.3	2.0

Source: International Monetary Fund

GDP Nominal (USD bn)

Country	2006	2007	2008	Year 2009	2010	2011	2012
China	2,712.92	3,494.24	4,519.95	4,990.53	5,930.39	7,321.99	8,227.04
Germany	2,905.45	3,328.59	3,640.73	3,307.20	3,312.19	3,607.36	3,400.58
Japan	4,356.75	4,356.35	4,849.19	5,035.14	5,495.39	5,897.02	5,963.97
United States	13,377.20	14,028.68	14,291.55	13,973.65	14,498.93	15,075.68	15,684.75

Source: International Monetary Fund

Table below illustrates relation between changes in the GDP and changes in volumes of export:

Item	1985	1990	1995	2000	2005	2010	2011	2012
Gross domestic product, current prices (USD bln)	307.02	390.28	727.95	1,198.48	2,256.92	5,930.39	7,321.99	8,227.04
Volume of exports of goods (per cent change)	6.50	(3.96)	12.30	22.80	24.50	28.35	9.42	5.69

Source: International Monetary Fund

The Chinese population, the largest of any country, can create a significant demand for goods. The table below illustrates the increase in the Chinese population from 1980 to 2012 (in 10,000 persons, full data for 2012 not available yet):

Year	Total population (year-end)	By Sex		By residence	
		Male	Female	Urban	Rural
1980	98705	50785	47920	19140	79565
1985	105851	54725	51126	25094	80757
1990	114333	58904	55429	30195	84138
1995	121121	61808	59313	35174	85947
2000	126743	65437	61306	45906	80837
2005	130756	67375	63381	56212	74544
2010	134091	68748	65343	66978	67113
2011	134735	69068	65667	69079	65656
2012	135404	-	-	-	-

Source: NBSC

The PRC's sustainable historic GDP growth (in nominal as well as in per capita values), despite global economic crisis in recent years, has been accompanied by rising income levels, in particular for urban residents. According to Frost & Sullivan report, from 2001 to 2010 the annual disposable income of Chinese urban residents increased from RMB 11,759 to RMB 21,810. The following table below describes changes in disposable income per capita in urban households in China from 2006 to 2012:

Year	2006	2007	2008	2009	2010	2011	2012
Disposable income per capita urban households (RMB)	11759	13786	15781	17175	19109	21810	24565

Source: NBSC

Rising income levels in China translate into growing health expenditure. The table below illustrates growth of health expenditure per capita from 2006 to 2011 (in USD, recalculated based on RMB/USD exchange rate – 1,1630):

Year	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
World	749	823	892	903	944	950
China	122	143	178	214	243	294

Source: World Bank, NBSC

Most of the 31 Chinese regions have seen a double digit gross regional product ("GRP") growth in recent years, which creates a promising background for consumer demand (source: NBSC). China's reforms have facilitated the concentration of economic activity in coastal provinces and are reflected in some inequality between regions. Continuous improvements to transport infrastructure between interior regions and major cities and ports, as well as other investments, may however encourage further rapid growth in interior regions and build strong, permanent consumer demand there. Table below presents population, GRP and GRP per Capita for each region in the PRC in 2011.

	Region	**Population** (mn)	**GRP** (RMB bn)	**GRP per Capita** (RMB)	**Fuijan Peixin Distribution**
1	Tianjin	14	1131	83 449	Yes
2	Shanghai	23	1920	81 772	Yes
3	Beijing	20	1625	80 511	Yes
4	Jiangsu	79	4911	62 174	Yes
5	Zhejiang	55	3232	59 160	Yes
6	Inner Mongolia	25	1436	57 863	No
7	Liaoning	44	2223	50 711	Yes
8	Guangdong	105	5321	50 653	Yes
9	Fujian	37	1756	47 205	Yes
10	Shandong	96	4536	47 071	Yes
11	Jilin	27	1057	38 440	Yes
12	Chongqing	29	1001	34 297	Yes
13	Hubei	58	1963	34 099	Yes
14	Hebei	72	2452	33 859	Yes
15	Shaanxi	37	1251	33 432	No
16	Ningxia	6	210	32 875	Yes
17	Heilongjiang	38	1258	32 817	No
18	Shanxi	36	1124	31 276	No
19	Xinjiang	22	661	29 927	Yes
20	Hunan	66	1967	29 822	Yes
21	Qinghai	6	167	29 400	No
22	Hainan	9	252	28 754	No
23	Henan	94	2693	28 687	Yes
24	Sichuan	81	2103	26 120	Yes
25	Jiangxi	45	1170	26 073	Yes
26	Anhui	60	1530	25 638	No
27	Guangxi	46	1172	25 233	No
28	Tibet	3	61	19 975	No
29	Gansu	26	502	19 579	No
30	Yunnan	46	889	19 204	No
31	Guizhou	35	570	16 438	Yes

Source: NBSC

Sanitary products market

General overview

The global growth of the hygiene market is driven mainly on the back of factors including increased population, the growth of an ageing population worldwide, and ameliorating economic conditions. According to the Global Diaper Market Report: 2012 Edition by Koncept Analytics, the global market for hygienic disposables was worth USD 82 billion in 2011, with baby diapers representing around USD 37 billion of its total value, followed by feminine care (mostly composed of sanitary napkins) and adult incontinence products (mostly composed of adults diapers), along with other medical disposables.

The Koncept Analytics estimates in the Global Diaper Market Report: 2012 Edition that on the global front, Western Europe is the largest region in the global hygiene market, with a 23% share of the same, followed by Asia (excluding Japan) with 20% of the global hygiene market. Other matured markets, including North America, Latin America and Japan respectively accounted for 19%, 16% and 8% of the global market in 2011. In the Asian region, the Indian and Chinese hygiene markets are estimated to be worth USD 150 million and USD 3.6 billion, respectively.

For 2011, the baby diaper segment accounted for the majority share of the global daily-use hygiene products market. The next major segment was that of feminine care products, which had a 29% share, followed by incontinence care products with 20% of the global market. The growth witnessed by the global market over the last few years has been exponential, which is evident from the fact that for the five years from 2006 to 2011, the major segments, that is, diapers, feminine care and adult incontinence, have seen respective compound annual growth rates of 8.3%, 6.3% and 5.8%. Driven by demography, economy growth and change of people's habits in recent year, hygienic market has been rising even faster in China. Compound annual growth rate for 2006 to 2011 for diapers market in China reached 30% (source of the information in this paragraph: Koncept Analytics, Global Diaper Market Report: 2012 Edition).

The Chinese hygiene product market is represented by various segments, all of which display different market characteristics. Particular demand and growth drivers vary depending on the segment of the hygiene industry. Below we discuss the main sectors of the sanitary product market in the PRC for which the Group provides its machinery and equipment: the diaper market comprising baby diapers and adult diapers, sanitary napkins and other products including in particular facial tissues and pets pads.

Baby diapers

In 2010, the total output of baby diapers in China was 11.78 billion pieces and the total sales volume (including export) on the baby diaper market was 11.54 billion pieces. The total consumption volume of baby diapers was 10.50 billion pieces. Total sales revenue of baby diaper and diaper pads was about RMB 11.22 billion. The market of baby diaper and diaper pads size reached RMB 18.48 billion with 27.7% over the previous year. The diaper market (including both baby diapers and diaper pads) in China in 2010 had approximately 500 manufacturers. The top ten manufacturers took about 72% of the aggregate producer sales and about 82.6% of sales revenue (source of information in this paragraph: CNHPIA, Directory of Tissue Paper & Disposable Products 2012/2013).

China is experiencing its fourth baby boom. According to forecasts included in the Directory of Tissue Paper & Disposable Products 2012/2013, from 2010 to 2015, the population of women of maternity age will remain at about 110 million in the PRC. Although in the recent years the production of end market for diapers in China has developed greatly, there is still a big difference in market penetration and expenditure per capita on diapers compared with developed countries (source: Directory of Tissue Paper & Disposable Products 2012/2013). The table below illustrates regional baby diaper per capita consumption per year in 2011 (per capita consumption of baby diapers is calculated as total retail value divided by the 0-4 year-old population):

	RMB	USD
India	6	0.93
Taiwan	1196	185.33
South Korea	1263	195.71
Hong Kong	2296	355.79
Japan	3559	551.50
China	384	59.50
USA	1658	256.92

Source: Koncept Analytics, BNP Paribas

Despite a strong growth in household income, disposable diaper penetration remains low in the PRC (source: Directory of Tissue Paper & Disposable Products 2012/2013). CNHPIA estimates the penetration of diaper usage among infants under the age of 2 was just below 40% (vs. 96% in the U.S.). Euromonitor estimates in the Nappies/Diapers/Pants in China Report the diaper sub-segment will lead overall tissue and hygiene industry growth with a 17% CAGR through 2016. Euromonitor explains in the Nappies/Diapers/Pants in China Report that the reason behind the low diaper penetration in China is that the older and more traditional generation of Chinese parents is very price sensitive. However, a new generation with different consumption behaviours and less price sensitive is entering the parental age. This generation is brand and quality conscious (more so than price), internationally aware/exposed and willing to pay a premium for quality.

In summary, the main factors driving the diaper market in the PRC are: low market penetration, population growth (unofficial abandonment of one-child policy), transition from re-usable diapers, demand supported by growing consumption and increasing quality of living, rising consumer expectations and increasing urbanisation. The table below presents babies diaper utilisation and population of age 0 to 4 in China from 2008 to 2012:

	2008	**2009**	**2010**	**2011**	**2012**
Babies diapers utilization in China (mn pieces)	10,490	13,260	16,270	19,800	-[1]
Population age 0-4 in China (mn)	75	75	76	77	79

Source: NBSC, the US Census Bureau

Adult diapers

According to the statistics from CNHPIA included in the Directory of Tissue Paper & Disposable Products 2012/2013, in 2010 the output of adult diapers was about 0.456 billion pieces. The sales volume was 0.438 billion pieces and producers' sales revenue was RMB 0.990 billion. In 2010, the consumption volume of adult diapers had increased by 52.1% on 2009. According to CNHPIA, there were registered 197 manufacturers at the end of 2010.

The adult diapers market is in an early phase of development. The growth rate is high due to a low base. With the development of the PRC economy, an aging society, improved disposable income of older consumers, the market has strong prospects for rapid growth and development potential. In 2000, 86.35 million Chinese were aged 65 or over, which by 2010 had increased to 115 million people (Source: CNHPIA, United States Census Bureau). Sales growth is expected to accelerate from a 16% CAGR over the last 5 years to 20% for the next 5 years, according to Euromonitor. The table below illustrates life expectancy and population of age over 65 in China from 1990 to 2012:

[1] Data for 2012 not available yet.

Item	1990	1995	2000	2005	2010	2011	2012
Life expectancy at birth in the PRC (years)	68	69	71	74	75	75	75
Population of age over 65 in the PRC (mln)	63.03	73.735	86.35	100.34	115.00	118.34	122.26

Source: NBSC

Key drivers for this market are an increasingly aging population, increasing living standards, better healthcare and growing health awareness, rising expenditure on health care and medical services, growing life expectancy and low market penetration.

Sanitary napkins

Well established hygiene awareness and already high penetration ratio (87% in 2011 as estimated by CNHPIA) makes sanitary napkins the slowest growing sub-segment under personal hygiene. According to the Directory of Tissue Paper & Disposable Products 2012/2013 after more than 20 years of development Chinese sanitary napkin market has entered into mature period, however, comparing with global sanitary napkin market China is still an undeveloped growing market. The table below illustrates regional per capita consumption of feminine hygiene products in 2011:

	RMB	USD
India	3	0.46
Taiwan	137	21.23
South Korea	163	25.26
Hong Kong	173	26.81
Japan	235	36.42
China	114	17.67
USA	167	25.88

Source: Koncept Analytics, BNP Paribas

Pursuant to the information in the Directory of Tissue Paper & Disposable Products 2012/2013 sanitary napkins market has expanded into third tier and fourth tier cities and towns while the biggest cities (i.e. Shanghai and Beijing) have reached level similar to middle developed countries. CNHPIA expects market to grow continuously from ~550 pieces consumption per women (15-49 age) till 720 pieces in 2020. Table below illustrates penetration in sanitary napkin market in China (%):

	1990	1995	2000	2004	2005	2010	2011
Sanitary napkin market in China	5%	31%	50%	60%	61%	82%	87%

Source: CNHPIA, BNP Paribas

In 2010, total producer sales revenue of sanitary napkins was about RMB 16.44 billion (source: CNHPIA). The sanitary napkin/panty liner market in China includes many manufacturers; according to CNHPIA, by the end of 2010 there were 864 registered manufacturers. In 2010, the sales revenue of the top 15 sanitary napkin/panty liner manufacturers were responsible for about 75% of the total market in China (source: Directory of Tissue Paper & Disposable Products 2012/2013).

Concerning sanitary napkins, the key drivers for this market in China include increasing living standards (especially among women from rural areas), changing habits, increasing hygiene standards in everyday life (due to the increasing numbers of restaurants, rest rooms, etc.) and expecting of new models and upgrades. Due to the improving consumption level, winged sanitary napkins have almost replaced straight ones. Only small amounts of straight sanitary napkins are sold mainly in the countryside and undeveloped western areas. In China, the consumption of tampons is still very low due to habits, hygiene conditions and a fear of bacterial infection.

Facial tissues and other

The general hygienic market comprises various products including facial tissues, wet wipes, and hygiene products for pets. In this market, key drivers include increasing hygiene standards in everyday life, changing habits, increasing hygiene and sanitation awareness, increasing living standards and rising expenditures on health care and medical services.

Machinery producers market

Key trends and drivers

As indicated in the introduction, the machinery market is dependent on and driven by the trends on the daily-use hygienic products market on which customers for the Group's products operate. In the Company's opinion the development of the machinery market follows the dynamics governing the daily-use hygiene product market. As explained in the section concerning the daily-use hygiene products market, there is a number of factors driving growth of particular segments of the daily-use hygiene products market. In general, the Company believes that growth of each segment of the daily-use hygiene products market translates into the growth of the machinery market.

The Company believes that increasing demand for daily-use hygienic products requires their producers to increase the production capacity, which in turn results in an increased demand for new machinery. Important trend in this respect is rising focus on cost-efficiency driving the purchasing decisions. Due to the current global economic situation, customers from developed countries of machinery products tend to be more cost-aware and therefore look for greater value-for-money.

In the Company's opinion, apart from increasing their production capacity, machinery customers look to improve their efficiency, product functionalities and reduce waste. This factor drives the demand for hygienic machinery with higher quality standards. In addition, product cycles for sanitary products are becoming shorter, while production is becoming more effective, which requires more efficient machinery, including in particular full-servo production lines.

Changes in consumer preferences on the market for daily-use hygienic products in China and other developing countries also influence the machinery market. End-market producers have to compete by better addressing differences in regional cultures, distribution channels and consumer profile (age, gender). In the Company's opinion, this also applies directly to the machinery market as clients expect more sophisticated machinery, which drives production segmentation and specialisation. The demand for more advanced hygiene products increases the demand for machine replacement. Higher utilisation and new product introductions, including changes in consumer preferences, accelerates the decisions to purchase new machinery.

Customers and suppliers

In the Group's opinion, there are no main customers on the Chinese machinery market – significant fragmentation and part of the demand comes from distributors on-selling products internationally. Customers are offered well-quality of products, after sales service and custom-made solutions which impedes its strength, shifting it towards machinery suppliers. In addition, an increasing number of manufacturers of daily-use hygiene products in China is currently undergoing consolidation. As the Chinese market is considered to be one of the keys for the Group, the increased number of consolidations among these manufacturers may significantly affect the market on which the Group operates and consequently impact on the Group's business.

Furthermore, the market of the machinery producer's suppliers is very fragmented. Cost of changing supplier is not significant as most of the supplied goods are raw materials and basic, standardized components.

The Group believes that there are no direct substitutes for products manufactured with machinery provided by the Group. Potentially there might be a switch from disposable products to re-usable ones which would impact the demand for the machinery, however this direction of change is highly unlikely.

Competitive landscape

The market for precision machines manufacturing daily-use hygiene products has a short history in China and is fragmented. In the early years, it was dominated by international producers, mainly from Japan and Italy, with almost no presence of Chinese manufacturers.

The Group believes that it is one of domestic quality leader with aspiration to reach quality level of international companies present in China. The Group's current direct competitors consists of domestic Chinese machine manufacturers providing products for daily use hygiene products market. Domestic machinery producers usually target local daily-use hygiene producers. In the Group's opinion, its main domestic competitors are Hengchang Machinery Manufacturing Co. Ltd., Jangsu JWC Machinery, Dechangyu paper Machinery Manufacturing Co. and Hangzhou New Yuhong Machinery Manufacturing Co.

The Group belives that the biggest international machinery producers usually target global international daily-use hygiene producers with a global purchasing policies and, therefore, are not currently direct competitors of the Group.

The Group's strategy does not include direct competing with global machinery producers in the Chinese market. However, clients from developed countries may switch into other producers due to growing value-for-money awareness.

In spite of significant industry growth, potentially luring new entrants, there are significant entry barriers such as R&D investment level to obtain proper quality, relationship-based customer acquisition, characteristic for Chinese market, market know how. If the international manufacturers, who are not currently targeting Chinese daily use hygiene products intend to enter the market, it may require them to lower the price level in order to compete domestically and build the business relationship, although they possess necessary know-how and R&D.

LEGAL ENVIRONMENT

Fujian Peixin and Quanzhou Peixin, as the indirect subsidiaries of the Company, are the operating entities of the Group. They are incorporated and registered in China under PRC laws. The incorporation, existence, operation of the two PRC subsidiaries and issues relating in particular to arbitration, litigation, employment, tax, foreign exchange, product liability, environmental protection, intellectual property, etc. need to conform to PRC laws. This chapter describes the selected applicable PRC laws that the two PRC subsidiaries need to follow and sets out the description of the enforceability of foreign judgments in China.

PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing state organs, civil affairs, criminal offences and other matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules and regulations enacted by the State Council and the State Council has the power to annul such directives, orders and regulations issued by its ministries and commissions.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local rules and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Some rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of the Interpretation of Laws passed on 10 June 1981, the Supreme People's Court has the power to give a general interpretation on the application of laws in judicial proceedings apart from its power to issue a specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give their interpretation of the rules and regulations which they promulgated. At the regional level, the power to give an interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

PRC Judicial System

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the People's Republic of China, the People's Courts comprise the

Supreme People's Court, the local people's courts, military courts and other special courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to the supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels. The people's courts adopt a two-tier final appeal system.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (the "Civil Procedure Law") adopted on 9 April 1991 with amendment effective on 1 April 2008 and further amendment effective on 1 January 2013. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. A foreign judgment or ruling may also be recognised and enforced according to the PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the PRC Arbitration Association's promulgation of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

For contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of the PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") adopted on 10 June 1958, pursuant to a resolution of the Standing Committee of the NPC passed on 2 December, 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention are to be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including when the enforcement of the arbitral award is contrary to the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

The General Principles of the Civil Law

The General Principles of the Civil Law were adopted by the National People's Congress on 12 April 1986 and came into force on 1 January 1987. The Civil Law is formulated for the purpose of protecting the lawful civil rights and interests of citizens and legal persons as well as correctly adjusting civil relations. The General Principles of the Civil Law consist of eight different chapters: General Principles, Law of Persons and Entities, Civil Juristic Acts, Law of Agency, Law of Obligations, Civil Liability, Limitation of Action and Conflict of

Laws. Chinese civil law is subject to certain fundamental principles set out in the first chapter, for example that all parties in a civil law relationship are to enjoy equal legal positions and that all persons shall act honestly without causing harm to others. In the following chapters, the Principles set out general rules on the obligations of contractual and non-contractual parties and the concept of damages.

The Opinions of the Supreme People's Court on Several Issues concerning the Implementation of the General Principles of the Civil Law (For Trial Implementation) were adopted and became effective on 26 January 1988. They serve to implement the General Principles of the Civil Law.

Laws Regarding Business

Laws and Regulations Relating to Social Welfare

China's social security system provides people with social welfare, a special care and placement system, social relief, housing services and social insurance. Social insurance represents the heart of China's social security system. It consists of five different parts: pension contribution, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance (details are subject to the different legal requirements in various provinces). In addition, the housing funds are required to be paid for all employees. In regard to pension contribution, unemployment insurance and basic medical insurance, the responsibility should be carried by the employer and the employee together whereas the responsibility for work-related injury insurance and maternity insurance rests with the employer. The employer has to pay for his own contributions and deduct the applicable contributions of the employees from their salaries and remit them to the responsible institutions.

A variety of laws and regulations concerning the legal system of social security, such as the PRC Labour Contract Law, Interim Regulations on the Collection and Payment of Social Insurance Premiums, Regulations on Work Injury Insurance, Regulations on Unemployment Insurance, Decision of the State Council on Establishing Unified Basic Pension Contribution System for the Staff and Workers in Enterprises, Measures for Maternity Insurance of the Staff and Workers in Enterprises and the Regulations on Housing Funds have come into force.

Any employer who violates the regulations concerning the social welfare of an employee, i.e. failure to pay the social insurance contributions and housing funds or retaining the payment of the employee's portion, may be ordered by the PRC labour and/or housing funds administration authority to make the required payments within a designated period of time. Moreover, a liability for penalties may also arise from the described conduct. Any failure by the employer to pay social insurance premiums or housing fund contributions also entitles the employee to terminate the employment.

PRC Labour Contract Law

The PRC Labour Contract Law (the "Labour Contract Law"), which came into effect on 1 January 2008 with amendment effective on 1 July 2013 and supplements the PRC Labour Law which has been in effect since 1 January 1995, has a certain impact on all existing and future employment relationships under PRC law.

Under the Labour Contract Law, an employment contracts must be concluded in written form. Should an employer fail to conclude a written employment contract with an employee for a period of one month to one year after the actual commencement of work, the employer must pay the employee double salary for the relevant months. After more than one year after the actual commencement of work, an unfixed-term of contract is deemed to have been concluded.

In their employment contract the employer and employee may include provisions on confidentiality concerning commercial secrets of the employer and confidential issues relating to intellectual property according to the Labour Contract Law. Non-competition obligations for up to two years after termination or expiry of the contract may be included in the employment contract or a confidentiality agreement, if the employee is senior manager, senior technician or is subject to a confidentiality obligation and if the parties agree on compensation. The employer is to pay economic compensation to the employee on a monthly basis during the non-competition obligation period after the termination or expiry of the contract.

The PRC Labour Contract Law also provides additional reasons for the termination of employment contracts. For example, an employee may terminate its employment if the employer fails to pay social insurance premiums for the employee, if the company rules and procedures set up by the employer are contrary to any law or regulation and impair the rights and interests of the employees, or if the contract is concluded due to the employer’s deception. The regulations on business–related dismissals have been finalised and social criteria regarding the question of which employees are to be dismissed have been introduced by the PRC Labour Contract Law.

In case of termination by mutual agreement, compensation must be paid only if the agreement was proposed by the employer. In case of expiry of a fixed-term employment contract, compensation must also be paid except for cases where the employee does not agree to renew the contract even though the employer has proposed to keep or improve the conditions stipulated in the current contract. The amount of compensation is to be one month’s salary per year of employment with a maximum “monthly salary” of three times the average monthly salary as determined by the competent local government and a maximum of twelve years of employment. Before the effectiveness of the PRC Labour Contract Law, there was no cap on the amount of “monthly salary” for the purpose of calculating compensation.

The PRC Labour Contract Law also provides that if an employer terminates an employment contract in violation of the law and an employee demands to continue to perform such a contract, the employer is to continue to perform the employment contract. If the employee does not want to continue to perform the employment contract or the performance of the employment contract becomes impossible, the employer is to pay the employee damages in the amount of twice the severance payment.

On 18 September 2008, the State Council issued the Implementing Rules and provided further explanations on several important issues of the PRC Labour Contract Law. For example, the Implementing Rules emphasise that the employer and the employee are not to agree on any additional termination reasons in the employment contract apart from the following circumstances as stipulated in the PRC Labour Contract Law under which the employment contract terminates automatically: the employment term expires, the employee has reached the statutory retirement age or has retired using the pension to which an entitlement under the law accrued, the employee is dead or is declared dead or missing by the people's court, the employer is declared bankrupt in accordance with the law, the employer's business license is revoked, the employer is ordered to be closed or shut down, the employer enters into voluntary winding-up, or other circumstances occur as may be prescribed in laws and administrative regulations.

Further, the Implementing Rules set forth the method of calculating the monthly salary of an employee for the purpose of calculating the statutory severance payments, i.e. such monthly salary is to be calculated on the basis of the total amount of remuneration of the employee for the last twelve months including monthly salaries, bonuses, allowances and subsidies for that period.

Company Law

The Standing Committee of the PRC National People's Congress passed amendments to the Company Law concerning enhanced Corporate Governance, greater protection of shareholders and an easing of restrictions on the management and operation of companies registered in the PRC on 27 October 2005 and the amended PRC Company Law came into force on 1 January 2006.

All companies with the legal form of limited liability and joint-stock limited company registered in the PRC including foreign-invested companies, to the extent not provided in FIE Regulations (see below), are subject to the amended PRC Company Law. The PRC Company Law requires all directors and supervisors to be loyal and diligent towards the company. If a director, supervisor or senior manager violates the laws, the administrative regulations or the Articles of Association whilst performing his/her duties which results in damage to the company, he or she may be liable for such damage. Unlawful acts of a director, supervisor, senior manager or third party which either harm the company or the shareholders' interests entitle a shareholder to take legal action.

FIE Regulations

The establishment of foreign-invested enterprises in the PRC ("FIE") requires the approval of the Ministry of Commerce ("MOFCOM") or its local counterpart depending on its total amount of investment in order to be established in the PRC. After such establishment, any material corporate changes in the foreign-invested enterprise, such as capital increase or reduction, change of business scope, share transfer, or other, are also subject to approval by the MOFCOM or its local counterpart. For certain industries, the approval of the ministry responsible for that industry is required as a prerequisite to apply for the approval of the MOFCOM or its local counterpart. The establishment of foreign-invested enterprises and all corporate changes only become valid when they are approved by the responsible approval authority, i.e. MOFCOM or its local counterparts, and registered with the competent registration authority, i.e. the State Administration for Industry and Commerce ("AIC") or its local counterpart. Certain material changes to corporate matters of foreign-invested enterprises become valid when they are approved by MOFCOM or its local counterpart without the need for additional registration.

Regulations on Foreign Exchange

Under Chinese law, foreign currency exchange regulations are primarily governed by the following rules:

- The Foreign Currency Administration Rules (1996), as amended (1997 and 2008), or the "Exchange Rules"; and

- The Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the "Administration Rules".

Under the Exchange Rules, the Renminbi is convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, investment for securities and repatriation of investment, however, is still subject to the approval of the State Administration of Foreign Exchange ("SAFE") or its local counterparts.

According to the Administration Rules, foreign-invested enterprises in China are only entitled to buy, sell and/or remit foreign currencies at those banks which are authorised to conduct foreign exchange business, after providing valid commercial documents and, in case of capital account item transactions, after obtaining approval from SAFE or its local counterparts. Capital investments outside of China by foreign-invested enterprises in China are also subject to limitations, which include approvals by SAFE and other relevant government authorities.

SAFE Notice No. 142 on Conversion of Foreign Capital in Foreign-Invested Enterprises

On 29 August 2008, SAFE issued the Circular on Issues concerning Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or "Notice No. 142", which restricts the use of the registered capital of foreign-invested enterprises, settled in Renminbi and converted from foreign currencies. Notice No. 142 is one of a number of measures implemented by China's regulators in recent years to prevent the funds of foreign-invested enterprises from being used in China and may therefore have a significant impact on acquisitions and investments in China conducted through such foreign-invested enterprises. A significant proportion of foreign-invested enterprises in China denominates their registered capital in a foreign currency and will typically convert their registered capital into Renminbi for use in developing their business in China. According to Notice No. 142, the use of RMB converted from foreign capital to make equity investment in other PRC enterprises is prohibited, unless such equity investment is within the approved business scope of the foreign-invested enterprise, or "has been otherwise provided for". Furthermore, Notice No. 142 prohibits the purchase of domestic real estate using RMB converted from foreign capital other than for the foreign investment enterprise's own use, unless the enterprise is licensed as a real estate enterprise. In M&A transactions, settlement of the purchase consideration denominated in foreign currency must be effected through an exclusive foreign currency account approved by the local branch of SAFE. In addition, the use of Chinese foreign invested companies (FIEs') registered capital settled in RMB may not be changed without SAFE's approval, and may not be in any case used to repay Renminbi loans if the proceeds of such loans had not been used.

Notice No. 142 is applicable to FIEs' and is therefore not applicable to the Company itself, but only to Fuijan Peixin and Quanzhou Peixin (the Chinese subsidiaries of the Company).

In order to convert foreign capital into RMB, an FIE has to submit certain documentation to a designated foreign exchange bank, including: (i) documents certifying the proposed use of the converted RMB (such as agreements to purchase goods or services); (ii) the FIE's foreign exchange registration card, (iii) the FIE's latest capital verification report; (iv) a letter of payment order for RMB funds derived from its capital settlement; and (v) relevant evidence proving that the previous sum of RMB funds derived from its capital settlement has been used to make a payment in accordance with the payment order letter and a detailed list of its utilisation. The bank will examine the materials for genuineness and compliance before making the conversion into RMB.

If the Chinese subsidiaries of the Company are not be able to provide the abovementioned consistent documentation, these entities may not be able to convert foreign currency in their capital account derived from the proceeds of the Offering into RMB for the use of funding their business expansion.

The Interim Provisions on the Management of Foreign Debts

The Interim Provisions on the Management of Foreign Debts was promulgated jointly by the State Development Planning Commission，the Ministry of Finance and the State Administration of Foreign Exchange on 8 January 2003 and became effective on 1 March 2003. Under this regulation, any medium- and long-term international commercial loans taken out by institutions such as domestic Chinese-invested enterprises shall be approved by the State Development Planning Commission. Moreover, the sum of the cumulative amount of medium- and long-term foreign debts and the balance of short-term foreign debts borrowed by foreign-invested enterprises shall be controlled and kept within the difference between the total amount of investment for the project as approved by the examination and approval authority and the registered capital. Foreign-invested enterprises may borrow foreign debts on their own within the scope of said difference. If it exceeds the difference， the total amount of investment for the project shall be verified by the original examination and approval authority anew. After signing loan contracts or security contracts with foreign entities， domestic institutions shall handle registration procedures with the foreign exchange control authorities according to the relevant provisions. Contracts for international commercial loan or security contracts shall become effective only upon registration.

SAFE Regulations Relating to Offshore Investment by PRC Residents

The Notice on issues relating to the Administration of Foreign Exchange in Fund-Raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies ("Notice No. 75") was issued by SAFE on 21 October 2005. It became effective on 1 November 2005.

SAFE also issues internal implementing rules from time to time to guide the implementation of laws and regulations on foreign exchange, including detailed directives on the registration of a special purpose vehicle outside the PRC that is directly established or indirectly controlled by a PRC resident for the purpose of carrying out offshore equity financing with the assets or equity interests they hold in PRC enterprises ("SPV"). As such implementing rules are amended frequently and may or may not be publicly available, the interpretation and practice concerning foreign exchange administration in different locations is subject to uncertainty.

As set out in Notice No. 75, each PRC resident who has ultimate control over a SPV must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. This obligation applies to PRC residents which can be legal entities established in the PRC or individuals who are PRC identity card holders or PRC passport holders or individuals who habitually reside in the PRC for reasons related to economic interests. The registration has to be handled prior to establishing or assuming control of an SPV. An amendment to the registration with the local SAFE branch must be filed by any PRC resident that directly or indirectly holds interests in that SPV on either the contribution of equity interests or assets of an onshore enterprise to the SPV, or the completion of any overseas fundraising by such SPV. In the event of any material change in the capital of the SPV, an amendment to the registration with the local SAFE branch also must be filed by the respective PRC resident. Relevant material changes include: (i) an increase or decrease in the company's capital, (ii) a transfer or swap of shares, (iii) a merger or division, (iv) a long-term equity or debt investment or (v) the provision of a guarantee to third parties.

Any failure to comply with the registration procedures pursuant to Notice No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company including the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

Dividend Distribution

The distribution of dividends paid by wholly foreign-owned enterprises is regulated mainly by the following provisions:

- The Wholly Foreign-Owned Enterprise Law (1986), as amended in 2000; and
- The Wholly Foreign-Owned Enterprise Law Implementation Rules (1990), as amended in 2001.

Dividends paid by foreign-invested enterprises in China may only be paid out of their possibly gained accumulated profits. The payment is subject to the PRC accounting standards and regulations. Wholly foreign-owned enterprises and their subsidiaries which are formed as a limited liability company and/or stock corporation in China are obliged, before distributing dividends, to set aside 10% of their profit after tax as reported in its PRC statutory financial statements to the statutory common reserve fund each year, except when the fund has reached 50% of their registered capital, and particularly for the wholly foreign-owned enterprises, certain amounts out of its accumulated profits each year for bonus and welfare funds. These funds are not distributable as cash dividends.

The Enterprise Income Tax Law and its implementation rules, which both came into effect on 1 January 2008, stipulate that dividend payments from foreign-invested enterprises ("FIE") to their foreign shareholders will be subject to a 10% withholding tax unless the country where the foreign shareholder is incorporated has concluded a tax treaty with China that provides for a lower withholding tax rate, and the foreign shareholder is qualified as the beneficial owner of the dividend.

The EIT Law has introduced the concept of tax resident enterprise TRE defined as an enterprise which is established in the PRC under the PRC laws and regulations, or which has its *de facto* management body in the PRC. TREs will be subject to PRC EIT for their worldwide income, including income received from its subsidiaries. In accordance with Art. 4 of the Implementation Rules of the EIT Law ("Implementation Rules"), "*de facto* management body" refers to the management body that exercises essential management and control over the enterprise. As a result, if a holding company located outside the PRC was actually managed by a management body in China, the overseas company would be regarded as a TRE and subject to EIT for its worldwide income. In addition, if a foreign incorporated enterprise is recognised as TRE by a Chinese tax authority, the dividend received by such overseas TRE from its PRC subsidiaries shall be exempted from EIT under the EIT Law and its implementation rules. And the overseas TRE may be obliged to withhold the EIT payable by non-resident foreign investors on dividend distributed by such TRE.

Regulations on Overseas Listing

In 2006, six PRC regulatory agencies, among others the MOFCOM and the Chinese Securities Regulatory Commission ("CSRC") passed the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the New M&A Provisions. The regulations became effective on 8 September 2006. The New M&A Provisions, as amended on 22 June 2009, state that an offshore special purpose vehicle ("SPV") controlled directly or indirectly by PRC companies or individuals is required for the purpose of listing the interest in a domestic company that it actually owns to obtain the approval of the CSRC prior to such offshore listing and trading. On 21 September 2006, the CSRC published the procedures specifying documents and materials that must be submitted to it by SPVs seeking CSRC approval of their overseas listings. However, substantial uncertainty remains regarding the scope and applicability of the New M&A Provisions to overseas listings of offshore SPVs.

Tort Liability Law

The Tort Liability Law of the PRC was adopted by the National People's Congress' Standing Committee on 26 December 2009 and came into force on 1st July 2010. The Tort Liability Law is formulated for the purpose of protecting the legal rights and interests of the parties in civil law relationships, defining tort liability, preventing and sanctioning acts of tort. The "civil rights" are personal and property rights including the right to live, right to health, right of name, right of reputation, right of honour, portraiture right, right to privacy, autonomy in marriage, guardianship, ownership, usufruct, real rights granted by way of security, copyright, patent, rights to exclusive use of trademarks, right of discovery, equity interest and right of inheritance. According to the Tort Liability Law, the infringee is entitled to seek tort liability on the part of the tortfeasor and in the event that the property of the tortfeasor is insufficient, to pay for his or her tort liability and administrative or criminal liability for the same act, he or she first and foremost assumes his or her tort liability.

According to the Tort Liability Law, the liability is mainly assumed through the cessation of the infringing act, the removal of obstacle, the elimination of danger, the restitution of property, the restitution of original state, the compensation for loss, formal apology and the elimination of adverse effect and restoration of reputation. Under the Tort Liability Law, the employer is to be liable for the damages caused by its employees to others in the course of performing work duties. A manufacturer is liable for any damages caused due to its defective products. A manufacturer is also held liable for any pollution of environment caused unless it can prove that there is no causation between its acts and the damages caused or there exist statutory reasons for it not to assume all or part of the liability.

Product Liability Law

The principal law governing product liability is the Product Quality Law, which was promulgated on 22 February 1993 and amended on 8 July 2000. The Product Quality Law defines a product as a commodity sold following processing or manufacturing. Thus, an item qualifies as a product under the Product Quality Law if it meets two main criteria: first, it must have been produced for sale and secondly, it must have been processed or manufactured. The first criterion excludes such items which have not been circulated for public consumption. In such case, the producer is not liable under the Product Quality Law.

Pursuant to the Product Quality Law, a producer is to have the following obligations:

- be responsible for the quality of products it produces;
- not produce products banned from production according to State laws or decrees;

- not forge the origin of a product or falsely use the name and address of another producer;
- not provide false, or without authorisation use, quality marks such as certification marks and fine quality product marks;
- not adulterate products or pose fake products as genuine, or shoddy products as good, or non-standard products as standard;
- ensure that the marks on the products or the packaging of the products are true; and
- ensure that, for products that are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or transportation or for which there are other special requirements, the package thereof meets the corresponding requirements, carries warning marks or warnings written in Chinese or points of attention in handling in accordance with the relevant state provisions.

Pursuant to the Product Quality Law, a seller is to have the following obligations:

- a check-for-acceptance system for stock replenishment shall be adopted to examine quality certificates and other labels of such stock;
- measures are expected to be adopted to keep products for sale in good quality;
- lose-effect and defective or deteriorated products are expected not to be sold;
- products must be sold with labels that comply with the relevant provisions;
- the seller must not forge the origin of a product or falsely use the name and address of another producer;
- the seller must not forge or falsely use another producer's authentication marks, marks of famous/premium brand names or other product quality marks; and
- the seller must not mix impurities or imitations into products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one.

Violations of the Product Quality Law may result in the imposition of administrative fines. In addition, the business operator may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases. If damage is done to a person or the property of others due to the defective products, the persons who sustained such damage may claim compensation either from the producers or sellers.

Protection of Consumer Rights and Interests

The Law on the Protection of Consumer Rights and Interests that was adopted on 31 October 1993 by the National People's Congress' Standing Committee and came into effect on 1 January 1994, is formulated for the protection of the legitimate rights and interests of consumer and sets out standards of behaviour which business operators must observe in their dealings with consumers, including the following:

- Business operators are expected, in their supply of commodities and services to consumers, to fulfil their obligations stipulated in the Product Quality Law and other laws and regulations concerned;
- Business operators are expected to guarantee that the commodities and services they supply meet the requirements for personal or property safety. As to commodities and services capable of harming

personal or property safety, business operators are expected to give the consumers truthful explanations and clear warnings, and shall explain or indicate the correct ways of using the commodities or receiving services as well as the methods of preventing damage;

- Business operators are expected to provide consumers with authentic information concerning their commodities or services, and may not produce any false and misleading propaganda. Business operators are expected to give truthful and definite replies to inquiries from consumers about the qualities of the commodities or services they supply and the operation methods thereof;

- Business operators are expected to indicate their real names and marks. Business operators who lease counters or grounds from others are expected to indicate their own real names and marks;

- Business operators are expected to guarantee the quality, functions, usage and term of validity which the commodities or services they supply should possess under normal operation or acceptance, unless the defects of the commodities or services were known to the consumers when they purchased the commodities or services;

- Business operators who are under the obligation of repair or caveat replacement or refund of commodities or other responsibilities in accordance with regulations of the State or agreements with consumers are expected to carry out such obligations according to such regulations or agreements, and may not deliberately delay or unreasonably refuse to do so;

- Business operators may not, through format contracts, notices, announcements, entrance hall bulletins and other methods and documents, impose unfair or unreasonable rules on consumers or reduce or evade their civil liability for infringement of legitimate rights and interests of consumers. Such contents in format contracts, notices, announcements, entrance hall bulletins and other methods and documents with such contents are invalid.

Violations of the Law on Protection of Consumer Rights and Interests may result in the imposition of administrative fines. In addition, the business operator may be ordered to suspend its operations and its business license may be revoked. Criminal liability may be incurred in serious cases. A consumer whose legitimate rights and interests are infringed upon when purchasing or using commodities may demand compensation from the seller concerned. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensation either from the sellers or from the manufacturers.

Competition Laws

Under the Chinese Anti-Unfair Competition Law that was promulgated on 2 September 1993 and became effective on 1 December 1993, business operators may not use the following unfair methods in their business transactions which can damage other competitors:

- to forge the registered trademarks of others;

- to use the specific name, package, decoration of famous or noted commodities, or use a similar name, package, decoration of famous or noted commodities, which may confuse consumers in distinguishing the commodities from the famous or noted commodities;

- to use the name of another enterprise or the personal name of another person thereby causing customer confusion relating to the commodity and the other enterprise's or person's commodity;

- to forge or pretend to hold a certificate of attestation, mark of fame and high qualification, to forge a certificate of place of origin of the commodities, which may cause a misunderstanding or false perception of the qualification of the commodities.

Violations of the Anti-Unfair Competition Law may result in the responsibility for compensation, the imposition of administrative fines, and, in serious cases, revocation of business license and criminal liability.

PRC Environmental Laws

The Environmental Protection Law

The Environmental Protection Law adopted on 26 December 1989 by the National People's Congress' Standing Committee provides the legal framework on environmental protection. Units that cause environmental pollution and other public hazards are expected to incorporate steps and measures of environmental protection into their plans and establish a responsibility system for environmental protection. These units are expected to adopt effective measures to prevent and control the pollution and damage caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substance, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. Installations for the prevention and control of pollution at a construction project are expected to be designed, built and commissioned together with the principal part of the project. No permission is to be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution have been examined and considered compliant with the standard set by the competent department of the environmental protection administration and the environmental impact statement having been examined and approved. The administration department of environmental protection of the State Council implements unified supervision and management of the national environmental protection work, and establishes the national standards for pollutant discharge, while the environmental protection bureaus at or above the county level are responsible for the environmental protection work within their respective jurisdictions.

The Law on the Prevention and Control of Pollution from Environmental Noise

The Law on the Prevention and Control of Environmental Pollution by Noise, adopted on 29 October 1996, came into effect on 1 March 1997. Pursuant to this law, any new construction project, expansion, or reconstruction project that discharges pollutants into the air is subject to the State regulations on environmental protection of construction projects. Industrial enterprises that produce environmental noise pollution due to the use of permanent equipment in the course of industrial production are expected to report to the competent administrative department for environmental protection of the local government at or above the county level regarding the types and quantity of its equipment that produce environmental noise pollution, the noise level produced under normal operation and the facilities installed for prevention and control of such pollution, and provide technical information relating to the prevention and control of noise pollution. Any industrial enterprise that intends to make a substantial change in the type or quantity of the equipment that produces environmental noise pollution, in the noise level of facilities for prevention and control of such pollution are to submit a report without delay and take preventative and control measures as required. Units that produce environmental noise pollution are to take measures to control it and pay fees for excessive emission of such pollution according to the regulations of the State.

The Law on the Prevention and Control of Atmospheric Pollution

The Law on the Prevention and Control of Atmospheric Pollution, adopted on 29 April 2000 by the National People's Congress' Standing Committee, is effective as of 1 September 2000. Pursuant to this law, the environmental protection authorities above the county level can regulate the prevention of air pollution. The environmental protection department of the State Council formulates the national air environmental quality standards and the local provincial governments formulate the local standards if there are no applicable national air environmental quality standards. The local provincial governments can also delineate more specific local standards. Enterprises which emit smoke into the air must comply with the national and relevant local air environmental quality standards. If the smoke emitted exceeds these quality standards, the relevant enterprises must rectify their actions within a limited timeframe, and the environmental protection authority at the county level can impose a penalty.

The Law on the Prevention and Control of Environmental Pollution by Solid Waste

According to the Law on the Prevention and Control of Environmental Pollution by Solid Waste amended and effective as of 1 April 2005, producers, distributors, importers and users of a product are responsible for the prevention and control of the solid waste it generates or discharges.

The Law on the Prevention and Control of Water Pollution

The Law on the Prevention and Control of Water Pollution was adopted on 11 May 1985 and amended on 15 May 1996 and 28 February 2008 respectively and the last amendment became effective on 1 June 2008. According to this law, the environmental protection department of the State Council governs the national waste discharge standards and the local provincial governments promulgate more specific local waste discharge standards. The discharge of waste must comply with both the national and local waste discharge standards. Enterprises which discharge waste into water must pay a treatment fee. If the waste discharged exceeds the national or local waste discharge standards, the relevant enterprises must pay a higher waste treatment fee. The environmental protection department has the right to order enterprises which severely pollute water to correct their actions by reducing their waste discharge within a stipulated time period or order the enterprises to stop production or be closed.

PRC Tax Laws

Enterprise Income Tax (EIT) Law

Before 1 January 2008, the PRC had a dual income tax system for foreign-invested enterprises (“FIEs”) and domestic-invested enterprises (“DIEs”), respectively. Many preferential tax policies, such as lower tax rates, tax holidays, and similar provisions were offered to FIEs to attract foreign investment to the PRC.

On 16 March 2007, the PRC legislature, the National People’s Congress, announced the adoption of the EIT Law, effective as of 1 January 2008, which unified the dual income tax system for FIEs and DIEs. The unification of the dual income tax system removed the difference in preferential tax policies. Meanwhile, a grandfathering period is granted to FIEs which were approved prior to the promulgation of the EIT Law.

TRE and Non-TRE

The EIT Law firstly introduces the concept of TRE and Non-TRE. According to the EIT Law, a TRE is an enterprise that is established in the PRC under the PRC laws, or an enterprise that is established under the laws of foreign countries (regions) but whose place of effective management is located in the PRC (“Overseas TRE”). A non-TRE is an enterprise that is established under the laws of foreign countries (regions) with the place of effective management located outside the PRC, or which does not have an establishment or place of business in the PRC, but derives income from sources within the PRC.

Transitional Arrangement for the EIT preference policy

Pursuant to previous PRC tax regulations, the general enterprise income tax rate for foreign-invested enterprises (“FIEs”) was 33%, comprising 30% national and 3% local income tax. In some special zones and regions, the applicable tax rate could vary and thus could even be as low as 15% or 24%. Manufacturing FIEs with a term of operation longer than ten years – following previous tax law regulations – were usually entitled to a tax holiday of two years which began in the first profitable year after the compensation of previous losses. This period of full exemption followed a three-year term of 50% tax exemption. The Chinese EIT Law, which came into effect on 1 January 2008, provides for a unified tax rate for foreign-invested as well as domestically owned companies. The EIT Law stipulates that the 15% tax rates in special zones and regions under current regulations will be increased gradually to 25% in the next five years. According to the tax Circular Guofa (2007) No. 39, for FIEs originally enjoying a tax rate of 15% based on laws and regulations issued by the central government, the transitional tax rates for 2008-2012 shall be 18%, 20%, 22%, 24% and 25% respectively.

Furthermore, the EIT Law provides that tax holidays for FIEs will not be applicable to newly established FIEs. However, a grandfathering period will be granted to FIEs which were approved prior to the promulgation of the EIT Law.

If tax holidays have not started due to losses, they shall be deemed to commence from the beginning of 2008, i.e. tax holidays can only be utilised until 2012.

Where a resident enterprise is determined to be a new high-tech enterprise to enjoy a tax rate of 15% and in the transitional period of the preferential regular reduction of taxation such as "two exemptions and three half reductions" and "five exemptions and five half reductions" of enterprise income tax as provided in Guo Fa 2007 No. 39 (Circular of the State Council on Implementing the Transitional Preferential Enterprise Income Tax Policies), the applicable tax rate for such resident enterprise may be chosen in accordance with the applicable tax rate for a transitional period and may adopt the "half reduction" taxation collection until the expiry of the same or choose to adopt the 15% tax rate for new high-tech enterprises without enjoying the half reduction of the 15% tax rate for tax collection.

Certain EIT preference under the EIT Law

Pursuant to Arts. 27 and 30 of the EIT Law, tax incentives may be granted to qualified high/new-tech enterprises (“HNTEs”), research and development activities and income derived from technology transfer. Concerning qualified high/new-tech enterprises, the tax rate can be reduced to 15%. As the Implementation Rules of the EIT Law state, qualified income derived from technology transfer within five million RMB per year shall be exempted from EIT and the portion exceeding five million RMB shall be subject to EIT at a half-reduced rate. An additional 50% of the qualified research and development expenses incurred for the development of new technologies, new products and new work crafts can be deducted before tax for EIT calculation purposes.

On 14 April 2008, the Ministry of Science and Technology (“MST”), the Ministry of Finance (“MOF”) and the State Administration of Taxation (“SAT”) issued the Measures for Recognition of HNTE (the “Measures”). In Art. 10 of the Measures, an enterprise shall - in order to be recognised as a HNTE – comply with the following conditions:

- The applicant is a tax resident enterprise registered in the PRC for more than one year;
- Its products (services) fall within the prescribed scope of the “Category for High/New-Tech Sectors Specifically Supported by the State”;
- The enterprise owns the core proprietary intellectual property (“IP”) rights for its products and services. According to the Measures, core IP rights refer to certain IP that is registered by a Chinese enterprise (excluding Hong Kong, Macau and Taiwan). This IP must have been obtained by self-development, transfer, gift, acquisition or other methods within the previous three years. Such IP also includes those rights obtained through exclusive licensing for periods of more than five years. The guidance for the EIT Law further provides additional guidance on what qualifies as core IP. Under these rules, core IP includes inventions, new models, new appearance designs that are not a mere change in patent and shape, software copyrights, patents of IC design and new species of plants. The Guidance on Recognition of HNTE jointly issued by the MST, MOF and SAT on 8 July 2008 (the “Guidance”) also provides that in case of "exclusive licensing”; the Chinese HNTE applicant must hold the worldwide rights to exclusively use the IP. Furthermore, according to the Guidance, in case of "exclusive licensing”, the technology provider must be excluded from using the licensed technology;

- The enterprise is consistently engaged in research and development activities. The total amount of research and development expenses in the most recent three fiscal years or actual operating years (in case the enterprise is not older than three years) must reach not less than a certain percentage of its total turnovers in the same period (6% if the annual sales are less than RMB 50 million, 4% if the annual sales are above RMB 50 million but less than RMB 200 million and 3% if the annual sales are above RMB 200 million). Furthermore, the research and development expenses incurred within the PRC shall be no less than 60% of the total research and development expenses. Furthermore, only 80% of the research and development contract payment for outsourced research and development activities can be treated as research and development expenses under the Guidance;

- The income generated from its high and new technological products or services exceeds 60% of the total annual income;

- The number of research and development staff with a bachelor and above degree is not less than 30% of the total number of employees of the enterprise and the number of research and development staff is not less than 10% of the total number of employees of the enterprise; the enterprise fulfils the following criteria set out by the Guidance:

  (a) the research and development organisation and management ability of the enterprise;

  (b) the ability to industrialise the technical results;

  (c) the number of core intellectual property rights;

  (d) the growth of sales and total assets.

- The detailed calculation methods of the above indexes are provided by the Guidance. An applicant shall have a total score of above 70 (the full score is 100) regarding these indexes in order to pass the test.

EIT Treatments of the general re-organisation and the special re-organisation – Circular 59

On 30 April 2009, the Ministry of Finance and State Administration of Taxation jointly issued the Circular on Several Issues Concerning the Enterprise Income Tax Treatment of Enterprise Re-organisation ("Circular No. 59"), which came into force retroactively as of 1 January 2008, clarifies the enterprise income tax policy on enterprise re-organisations. The Circular No. 59 provides a clear definition of "enterprise re-organisation" and particularly stipulates general tax treatment and special tax treatment regarding the transactional equity or asset acquisition.

Circular No. 59 classifies "enterprise re-organisation" into six main types which cover all the basic forms of capital activities: (1) Change in the legal form of an enterprise; (2) Debt restructuring; (3) Equity acquisition; (4) Asset acquisition; (5) Merger; and (6) Division. According to Art. 3 of the Circular No. 95, depending on the conditions, general tax treatment provisions, or special tax treatment provisions shall apply to the tax treatment of enterprise re-organisations.

With regard to general tax treatment, in a re-organisation transaction of equity acquisition or asset acquisition, the relevant transaction shall be treated in accordance with the following provisions: (a) the party being taken over shall recognise the gain or loss from the equity or asset transfer; (b) the tax basis of the equity or assets obtained by the acquiring party shall be determined based on the fair value thereof; and (c) in principle, the takeover target's relevant income tax attributes shall remain unchanged.

With regard to special tax treatment, Art. 6.2 provides that, in an equity acquisition, if the equity purchased by the acquirer is not less than 75% of the entire equity of the takeover target and the amount paid in the form of equity by the acquirer at the time the equity acquisition occurrs is not less than 85% of the total amount paid for the transaction, treatment may be effected in accordance with the following provisions: (a) the tax basis of the acquirer's equity obtained by the shareholders of the takeover target may be determined based on the original tax basis of the acquired equity; (b) the tax basis of the takeover target's equity obtained by the acquirer may be determined based on the original tax basis of the acquired equity; and (c) the original tax basis of the assets and liabilities of the acquirer and the takeover target and other relevant income tax attributes shall remain unchanged. Art. 6.3 provides that, in an asset acquisition, if the assets purchased by the transferee are not less than 75% of all of the transferor's assets and the amount paid in the form of equity by the acquirer at the time the asset acquisition occurred is not less than 85% of the total amount paid for the transaction, treatment may be effected in accordance with the following provisions: (a) the tax basis of the transferee's equity obtained by the transferor may be determined based on the original tax basis of the transferred assets; and (b) the tax basis of the transferor's assets obtained by the transferee may be determined based on the original tax basis of the transferred assets. If an enterprise is involved in an equity or asset acquisition transaction that takes place both in the PRC and overseas (including Hong Kong, Macao or Taiwan), in addition to satisfying the general conditions, extra conditions shall be fulfilled for such re-organisation transaction to enjoy special tax treatment.

Transfer Pricing and Anti-avoidance Rules of China

The EIT Law introduced the transfer pricing and anti-tax avoidance rules in its Chapter 6. The Implementation Measures of Special Tax Adjustments (Trial) ("Circular 2") issued by SAT on 8 January 2009 marked the milestone of the Chinese transfer pricing and anti-avoidance rules, specifying the rules on Chapter 6 of the EIT Law and provides a comprehensive guidance for transfer pricing rules and general anti-tax avoidance rules.

According to Art. 41 of the EIT Law, if a transaction between related parties does not comply with the arm's-length principle, thus reducing the taxable income or revenue of the enterprise or the related party, the tax authorities shall be empowered to make adjustments using reasonable methods. In addition, an enterprise with related-party transactions is required to submit the annual reporting form of related-party transactions along with the annual EIT return when filing its annual EIT return. An enterprise is required to prepare contemporaneous documentation to justify that its related-party transactions comply with the arm's-length prices, if (a) the amount of an enterprise-related-party purchases and sales is more than RMB 200 million in a financial year; or (b) the amount of other related-party transactions is more than RMB 40 million in a financial year. If the qualified enterprise fails to prepare the contemporaneous documentation and a transfer pricing adjustment is made due to the tax authority's transfer pricing investigation, the tax authority may not only impose additional EIT on the adjusted taxable income, but could also impose interest on a daily basis, on the underpaid taxes for the period from 1 June of the year following the taxable year to which the under payment relates until the date when the underpaid taxes are paid. The interest shall be calculated based on the RMB loan base rate published by the People's Bank of China in the tax year(s) to which the underpaid tax belongs for a loan of the same term as the period for which additional tax is payable, plus 5%. If transactions between related parties fail to comply with the arm's-length principle, or where enterprises enter into arrangements without a reasonable business purpose, the tax authority is empowered to make tax adjustments within ten years of the year in which the transactions take place. An enterprise may apply to the tax authority to conclude an advance pricing arrangement to deal with its transfer pricing issues.

Several special tax adjustment rules are introduced in the EIT Law, including Controlled Foreign Corporation rule (CFC rule), Thin Capitalization rule, etc. A CFC is an enterprise that is controlled by a Chinese tax resident (either an enterprise or individual). The CFC rule is introduced such that profits undistributed or distributed in a reduced amount without reasonable operating needs, and derived by CFCs located in low-tax jurisdictions (<12.5%), may be taxed in China as a deemed distribution.

Under the Thin Capitalization rule, the ratio of debt investments to equity investments from related parties must not exceed the "established criteria". Otherwise, excessive interest expense will be disallowed. The Notice on Certain Tax Policy Issues about the Pre-tax Deduction Standard Applicable to the Interest Expense by an Enterprise-Related Party (Cai Shui (2008) No 121, "Circular 121"), issued by the MOF and SAT, specifies the permitted debt/equity ratios. According to Circular 121, two separate debt/equity ratios will apply: (a) 5:1 for financial institutions, and (b) 2:1 for non-financial enterprises.

Value Added Tax (VAT) and Business Tax

VAT is to be paid by enterprises and individuals which sell goods, provide taxable services (repair, maintenance and processing) in the PRC or import goods into the PRC. Business tax is imposed on enterprises and individuals engaged in the provision of services and the transfer of immovable and intangible property. The business tax rate would generally be 3% or 5% of the gross income from the provision of services. On 1 January 2012, a pilot VAT reform program was launched in Shanghai to transition service industries from liability to business tax to liability to VAT. Currently, the VAT pilot regions have been extended to Beijing, Tianjin, Guangdong, Jiangsu, Zhejiang, Fujian, Hubei and Anhui. And it will be implemented throughout all regions of China as of 1 August 2013. The pilot program initially applies to the transportation industry and certain selected modern service sectors (including R&D and technology services, leasing of movable and tangible goods, etc.). It is expected that the pilot sectors will be gradually extended and eventually VAT will completely replace business tax.

There are two different categories of VAT taxpayers to which different tax rates and calculation methods apply: general and small-scale taxpayers. In case of general taxpayers the VAT resembles the balance between the output-VAT amount and the input-VAT amount incurred. The standard VAT rate is 17%, with a lower rate of 13% applicable to certain foods, goods, books and utilities. The rates under the pilot VAT reform program are: 17% for the leasing of moveable and tangible goods; and 11% and 6% for the transportation sector and other modern services respectively.

The VAT rate applicable to small-scale taxpayers is 3%. A small scale VAT taxpayer is a manufacturer who has annual taxable sales of less than RMB 500,000 or a distributor or retailer who has annual taxable sales of less than RMB 800,000, or a pilot service provider who has annual taxable revenue of less than RMB 5 million. However, a deduction on the paid input VAT charged on imported or domestically purchased materials or services from pilot VAT taxpayers from the payable amount of output VAT is not possible.

Exported goods are generally subject to zero-rated VAT and the qualified exporters can apply for the VAT exemption and rebate policy. There are two ways to implement the VAT exemption and rebate policy applicable to zero-rated goods: “Exemption, credit, and refund method” (“ECR” method) and “Exemption and refund method” (“ER” method).

The ECR method is generally applicable only to production enterprises qualified as general taxpayers (no credit and refund is available for small-scale taxpayers). “Exemption” means that goods which are exported by production enterprises either directly or on consignment through foreign trade companies are exempt from output VAT. “Credit” means that, for enterprises whose self-produced goods are both exported and sold domestically, the input VAT credit on materials purchased for the production of export goods is offset against the output VAT on domestic sales. “Refund” means that, after offsetting the input VAT against the VAT payable, any excess amount of input VAT is refundable.

The ER method is applied to the export of goods or services by export enterprises or other enterprises with no manufacturing capabilities. Under the ER method, output VAT of the exported goods is exempted, and a certain portion of input VAT is refundable, but not creditable.

Moreover, the exported products determine the VAT refund rates which are frequently changed by the PRC Government.

Patent and Trademark Protection

Patent Prosecution

The patent system of the PRC follows the principle of “first to file”. Should more persons file a patent application for the same invention, the person who filed the first application will be granted the patent. An invention in this context must be categorised as an absolute novelty in order to be patentable. Any prior written or oral publication, demonstration or use before filing the patent application therefore prevents an invention from being patented in the PRC. Hong Kong, Taiwan and Macau have independent patent systems. Therefore, patents issued in the PRC are not enforceable in these countries. The three different types of patents known under PRC patent law are invention patents, utility model patents and design patents. New technical schemes being made with regard to the product's shape or structure or a combination of the two which are suitable for utilisation are protected by utility model patents. Inventions protected by invention patents or utility model patents must be new, creative and have a practical approach, whereas a design patent is granted if the invention relates to the new design of the shape or the pattern of the product or a combination of the two. An invention for which a design patent is rendered must serve two purposes: firstly, it must create an aesthetic feeling and secondly, it must be suitable for industrial use.

A PRC invention patent is valid for 20 years. This period begins on the date the patent application was filed. Patents for a utility model and design patents are valid for ten years from the initial date on which the patent application was filed. Patent applications must be filed at the State Intellectual Property Office ("SIPO") in Beijing. According to the PRC patent law, patent rights take effect on the date that SIPO makes the announcement granting the patent rights to the patentee. The patentee shall pay an annual fee beginning with the year in which the patent right was granted. If the patentee fails to pay the annual fee, the patent right will cease from the expiry date of the time limit within which the annual fee was to be paid.

Inventions Made by Employees

Patentable inventions made by employees working in China are subject to Art. 16 of PRC patent law and Arts. 76 to 78 of the implementing rules of the PRC patent law which regulate compensation through payments of bonus and remuneration for inventions made by an employee in the course of their employment. Accordingly, the company which acquires the right to an invention made by its employee must pay an appropriate bonus and remuneration to the employee for the invention. In this respect, the company and the employee can agree in the employment contract on the amount of bonus and remuneration payments for inventions made by the employee. If there are no agreements providing any bonus and remuneration for invention or no waiver in this regard and if the company does not provide any internal rules on how to determine the bonus and remuneration for inventions, the employee is entitled to demand a bonus of RMB 3,000.00 for an invention patent and RMB 1,000.00 for a utility model as well as for a design patent within three months after publication of the patent. In addition, the employee can demand remuneration of 2.0% of after-tax profits derived from exploiting an invention patent as well as a utility model patent and 0.2% of after-tax profits derived from exploiting a design patent. If the company earns a profit from licensing or transferring the patent to third parties, the employee can demand 10% of such profits after tax.

Aside from bonus and remuneration payments, an employee can demand that his name is displayed in the patent documents.

Patent Enforcement

In case of an infringement of a patent, the patent holder who believes the patent is being infringed may either file a civil legal suit or file an administrative complaint with a provincial or municipal office of SIPO. Before instituting any legal proceedings or during the proceedings themselves, a PRC court may issue a preliminary injunction at the patent holder's or an interested party's request. Either the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringing party makes up the compensation for damages of infringement. Since the exact determination of the damages is difficult to achieve in this manner, damages may be ascertained in the range between one and three times the licence fee under a contractual licence. If determination of damages is not possible, statutory damages ranging from RMB 10,000.00 to RMB 1,000,000.00 may be requested. The burden of proof that the patent is being infringed rests with the patent holder. However, when a holder of a manufacturing process patent alleges infringement of such patent, the alleged infringing party has the burden of proving that there has been no infringement.

Compulsory Licence

Pursuant to the Patent Law, compulsory licences are granted by the SIPO when the threshold for an invention or utility model, for which the patent right has been granted, involves an important technical advance of considerable economic significance in relation to another invention or utility model for which a patent right was previously granted, and should the exploitation of the later invention or utility model depend on the exploitation of the earlier invention or utility model, the administrative department for patents under the State Council may, at the request of the later patentee, grant a compulsory license to exploit the earlier invention or utility model. Moreover, a compulsory licence can be granted in a few other limited cases, such as the occurrence of a national emergency or any extraordinary state of affairs, or if the public interest requires so.

International Patent Treaties

The PRC has signed all major intellectual property conventions such as the Paris Convention for the Protection of Industrial Property, Madrid Agreement on the International Registration of Marks and Madrid Protocol, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs"). The patents which are national rights are also protected under the Patent Cooperation Treat ("PCT") to which China is a signatory. Under the PCT, applicants in one country can simultaneously seek patent protection for an invention in a number of other member countries by filing a single international patent application. The pending patent application does not constitute any guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

Trademarks

The PRC Trademark Law was published in 1982, followed by the PRC Trademark Implementing Regulations in 1988, and was amended on 27 October 2001. As noted above, the PRC is a signatory to the Madrid Agreement and the Madrid Protocol. These agreements provide a mechanism whereby an international registration has the same effect as an application for registration of the mark made in each of the countries designated by the applicant.

The registration and administration of trademarks is done by the PRC Trademark Office for the whole of China. In regard to trademarks, the "first-to-file" principle applies as well. The PRC Trademark Office shall examine the trademark registration application based on the relevant trademark laws and regulations. If the application is in line with the relevant laws and regulations, the PRC Trademark Office will conduct a preliminary examination and approval of that trademark and will publicly announce it. Any person may file an opposition to a trademark which has undergone preliminary examination and approval within three months from the day it was publicly announced. If no opposition is filed after the period of public announcement expires, the registration shall be granted.

According to the PRC Trademark Law, the duration of trademark rights shall be ten years, counted from the date of registration, and it is renewable. The protection of the trademark rights starts from the registration date and is limited to the registered trademark and the designated goods/services thereof.

An infringement of the exclusive right to use a registered trademark is committed pursuant to PRC Law, in case of:

- a use of a trademark that is identical or similar to a registered trademark in respect of the same or similar commodities without the authorisation of the trademark registrant;
- a sale of commodities infringing on the exclusive right to use the trademark;

- counterfeiting or making, without authorisation, representations of a registered trademark of another person, or sale of such representations of a registered trademark as were counterfeited, or made without authorisation;

- changing a registered trademark and putting commodities on which the changed registered trademark is used into the market without the consent of the trademark registrant; and

- otherwise infringing on the exclusive right of another person to use a registered trademark.

In case of a trademark infringement, the owner who believes its trademark is being infringed can provide its trademark registration certificate and other relevant evidence to the State or Local Administration for Industry and Commerce (the "AIC"). After presenting the evidence, the AIC decides if it is going to launch an investigation. The AIC can order the party committing the infringement to immediately cease the infringing behaviour, seize and destroy the representations of the trademark in question, and impose a fine. Should the trademark owner be unsatisfied with the AIC's decision, it may apply to have the decision reconsidered.

Moreover, the trademark owner may initiate civil proceedings directly with the court which includes:

- injunctions;

- requiring the infringing party to take steps to mitigate the damage (i.e. print notices in newspapers);

- damages (i.e. compensation for the economic loss and injury to reputation as a result of trademark infringement suffered by the trademark holder); whereby the amount of compensation is calculated according to either the gains acquired by the infringing party from the infringement during the infringement, or the loss suffered by the trademark owner including expenses incurred by the trademark holder to deter such infringement. In case of problems arising with determining the gains acquired by the infringing party from the infringement, or the loss suffered by the trademark owner, the court may elect to award compensation of not more than RMB 500,000.00; and

- if the case is so serious as to constitute a crime, the trademark owner may lodge a complaint with the relevant public security organ.

Legislation on Land in the PRC

Land in the PRC is either state-owned or collectively owned, depending on the location of the land. Land in urban areas of a city or town is state-owned, whereas land in rural areas of a city or town and rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with the law if required for the benefit of the public. Although all land in the PRC is owned by the state or by collectives, private individuals and businesses and other organizations are permitted to hold, lease and develop land for which they are granted or allocated land-use rights.

In April 1988, the constitution of the PRC was amended by the National People's Congress to allow for the transfer of land-use rights for value. In December 1988, similar amendments were made to the PRC Law on Land Administration.

Under the Interim Regulations of the People's Republic of China on Grants and Transfers of the Right to Use State-Owned Urban Land ("Interim Regulations on Grants and Transfers") promulgated in May 1990, local governments at or above the county level have the power to grant land-use rights for specific purposes and for a definite period to a land user pursuant to a contract for the granting of land-use rights against payment of a grant premium. All local and foreign enterprises are permitted to acquire land-use rights unless the law provides otherwise. The state may not lawfully reclaim granted land-use rights prior to the expiry of the term of grant. If the public interest requires repossession by the state of the land under special circumstances during the term of grant, compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its granted land-use rights to a third party for the remainder of the term of grant.

On expiry of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment of a premium. If the term of the grant is not renewed, the land-use rights and ownership of any buildings erected on the land will revert to the state without compensation.

After land-use rights relating to a particular area of land have been granted by the state, the party to whom such land-use rights have been granted may transfer, lease or mortgage such land-use rights, unless a restriction is imposed, for a term not exceeding the term which has been granted by the state. A transfer involves the vesting of the land-use rights by the transferor in the transferee during the term for which such land-use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, rent is payable during the term of the lease. Land-use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must be fulfilled before the respective land-use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land-use rights must be evidenced by a written contract registered with the relevant local land bureau at the municipality or county level. On the transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Real property that has not been registered and a title certificate which has not been obtained in accordance with the law cannot be transferred according to Art. 37 of the PRC Law on Administration of Urban Real Estate (the "Urban Real Estate Law"). Under Art. 38 of the Urban Real Estate Law, if land-use rights are acquired by means of a grant, the following conditions must be met before the land-use rights may be transferred: (i) the premium for the granting of land-use rights must be paid in full in accordance with the land-grant contract and a land-use rights certificate must be obtained; (ii) investment or development must be made or carried out in accordance with terms of the land-grant contract; (iii) more than 25% of the total amount of investment or development must be made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes must be confirmed.

According to the PRC Law on Land Administration, adopted by the National People's Congress on 25 June 1986, and amended on 29 December 1988, 29 August 1998 and 28 August 2004, land in rural and suburban areas, unless stipulated by laws as owned by the State, is collectively owned by rural residents. Land collectively owned by rural residents is contracted to and operated by members of the respective collective economic entity for uses such as plantation, forestry, livestock husbandry or fishery productions. Before any land collectively owned by rural residents is contracted to a unit or individual not from the collective economic entity, it must be agreed by at least two-thirds of the members of the villager committee meeting or at least two-thirds of the villager representatives, and be submitted to the people's government at the township level for approval. The land-use rights of collectively-owned land must not be granted, assigned or leased to any party for any non-agricultural uses.

According to the PRC Law on Land Administration, a state-owned land use right certificate will be issued by the competent land resource authority at or above the county level to evidence a private individual, businesses and other organisations which are entitled to use the state-owned land. With regard to the house ownership registration, since 1997, several regulations have been enacted but were replaced by the Housing Registration Method which was promulgated on 15 February 2008 and took effect on 1 July 2008. According to the Housing Registration Method, the ownership, change of ownership and mortgage of ownership of a house shall be registered with the competent Administration for Real Estate at or above the county level. The holder of the land-use right and the owner of the house erected on the land must be consistent. The house ownership certificate will be issued to a private individual, businesses, and other organisations which have ownership of the house. In most areas in the PRC, state-owned land-use rights and the house ownership certificates are the two essential certificates to prove the right to the land and the house erected on such land. Nevertheless, some cities in China combine two certificates into one certificate, i.e. real estate title certificate to cover both the state-owned use right and the ownership for the house erected on the land either through the merging of two different authorities into one organ, or a mutual agreement reached by the two different authorities.

BUSINESS OF THE GROUP

Overview

The Group designs, produces and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. With nearly 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according 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: Diaper Machines, Sanitary Napkin Machines, Facial Tissue Machines and Others corresponding to 34.9%, 42.0%, 15.3% and 7.8% of the Group's revenues for 2012 respectively.

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, and the market for sanitary napkins and sanitary tissues drives the market for sanitary napkin and sanitary tissue machines. For a market overview, please refer to "*Industry Overview*".

The Group believes that the design, functionality and quality of its products is close to that of international competitors and exceeds most of domestic competitors. The Group is able to design tailor-made lines adjusted to particular clients' needs, which allows it to offer sophisticated products. The Group was granted ISO, European Union CE certificate and in 2005, 2008 and 2011 was awarded "*Fujian famous trademark*" (*See "Business of the Group – Quality"*). In 2011 the Group developed and produced its full-servo adult diaper line which was awarded the Quanzhou 2011 R&D project award. In 2012, the Group was granted a tax exemption for hi-tech companies. The Group considers its R&D and quality control expertise to be crucial to its future success and intends to further strengthen its research and development activities, as well as to enhance the quality and functionality of its products to respond to market demand.

The Group's production facility is located in Quanzhou, Fujian province in China. The Group intends to open two new factories by 2016 with an intention to more than triple its production capacity, and perceives the opening of these new factories as a significant step towards increasing its revenues and keeping the leading position among domestic producers of machines manufacturing daily-use hygiene products. For further information, please refer to "*Business of the Group – Investments*".

The group distributes its products to daily-use hygiene product manufacturers in China and abroad, mainly in Asia, Africa and South America. The Group distributes its products internationally mainly through China-based trading companies who sell the Group's products on to end users. The Group also distributes part of its products directly to international end users. Domestically, the Group intends to extend its distribution coverage from the coastal areas of China to other inland and economically growing regions, including the provinces of Chongqing, Henan, and Hunan. The Group believes that entering the new provinces of China with its distribution network will allow the Group to increase sales of its products. The Group also intends to intensively increase its direct presence in selected overseas markets such as India, Turkey and the USA by increasing promotional efforts such as targeted advertising and participation in exhibitions, as well as employing additional China-based salespeople covering international markets to increase its ability to directly distribute its products to international customers.

In 2010, 2011 and 2012, the Group generated revenues of TEUR 19,740, TEUR 32,839 and TEUR 46,509 respectively, and operating profit of TEUR 4,905, TEUR 9,607 and TEUR 13,827 respectively. For further information, please refer to "*Operating and Financial Review*".

History

The Group's operations began in 1994 when its first constituent company, Quanzhou Peixin Machinery Making Industry Co. Ltd (**Quanzhou Peixin**) was founded. Quanzhou Peixin was established by Quanzhou Licheng Peixin Light Industry Machinery Factory and Yee Lung Enterprise Co., Ltd. On 19 September 2006 the two shareholders transferred ownership of 100% of the shares in the company to Peixin International BVI. As of the date of the Prospectus, Quanzhou Peixin provides no operating revenue. It owns the land use right and buildings, both used by the Group for operating activities and others, which it leases to provide rental income for the Group.

The second China based company included in the Group is Fujian Peixin Machine Manufacture Industry. Co, Ltd (**Fujian Peixin**), which was founded on 8 November 2006 by Peixin International Group LTD. As of the date of the Prospectus, only Fujian Peixin provides operating revenue within the Group. Its operations focus on manufacturing and marketing machines used in the production of daily use hygiene products as well as on research and development within this market segment.

When it started its activity in 1994, the Group's capacity was 100 napkin machines per year.

The Group is constantly working on developing its products and introducing more advanced solutions (*See "Research and development"*). The diagram below shows the main technical milestones of the Group's development:

Year	Event
1995	The Group manufactured the first strip sanitary napkins production line.
1996	The Group manufactured the first semi-automatic production line of baby diapers and the first semi-automatic production line of sanitary napkins with wings.
1998	The Group started indirectly exporting its products.
	The Group manufactured the first fully-automatic production line of baby diapers and the first fully-automatic production line of sanitary napkins with wings.
1999	The Group manufactured the first fully-automatic paper packing machine.
2000	The Group manufactured the first fully-automatic production line of pet pads.
2002	The Group manufactured the first fully-automatic line of adult diapers.
2003	The Group manufactured the first fully-automatic wet tissues machine.
2004	The Group manufactured the first line of semi-servo sanitary napkins machine and the first production line of semi-servo diapers.
2007	The Group moved its production to a new plant which tripled the Group's production capacity.
2008	The Group manufactured the first full-servo pets pad production line.
2009	The Group manufactured first full-servo production line of sanitary pads.
2009 – 2010	The Group made further investments increasing its production capacity by approx. 50%.

Year	Event
2011	The Group manufactured the first full-servo adult diaper production line.
2011	The Group's production capacity further increased and the Group obtained the "*High and New Technology*" certificate. The Group manufactured the first fruits pads machine.
2012	The Group manufactured upgraded full-servo pet pad production line with doubled running speed.
2013	The Group manufactured full-servo T shape baby/adult disposable diaper production line;

As of the date of the Prospectus, Peixin International BVI has been established as a holding company for both Fujian Peixin and Quanzhou Peixin. This holding company, formed in the British Virgin Islands on 29 June 2004, holds 100% of the shares in both of its subsidiaries and its sole purpose is to manage them. It has no operational activities. The Company was established on 2 July 2013 as a holding company and a listing vehicle for the Group. On 14 August 2013 all shares in Peixin International BVI were contributed to the Company in exchange for newly issued shares in the share capital of the Company as a part of the Group restructuring in connection with the offering. As removing Peixin International BVI from the Group structure would result in a taxable capital gain in China, the Company decided to maintain Peixin International BVI as an intermediate holding company within the Group structure.

Competitive strengths

The Group believes that the following competitive strengths have contributed to its success, and will continue to enable the Group to capitalise on future growth opportunities in the industry in which the Group operates.

Established presence on daily-use hygiene product machinery production market and established manufacturing experience: The Group began producing and selling machines manufacturing daily-use hygiene products in 1994, and Mr Xie Quilin, the Group's CEO, has over 30 years of experience in the industry. 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 producers of machines manufacturing daily-use hygiene products and has an established presence at the high-end market segment with full-servo machines. The Group also believes that it has gained an in-depth understanding of the design and quality requirements of the daily-use hygiene product machinery production market and is able to adapt and develop its products to meet these requirements.

The Group's products won "*Fujian famous trademark*" in 2005, 2008 and 2011 and Quanzhou 2011 R&D project award for its full-servo adults diaper production line. In 2012 Fuijan Peixin was granted a tax preference for hi-tech companies, decreasing its income tax rate until the end of 2013 to the level of 15%. The Group believes it has established a reputation for high-quality, reliable products in the domestic and international machine manufacturing daily-use hygiene product industry, and is well recognised by daily-use hygiene producers in China.

Strong management team with proven industrial track record: The Group's management team has a proven industrial track record and has extensive experience in the machine manufacturing daily-use hygiene products industry. The Group's chief executive officer (CEO), Mr XIE Quilin, who has over 30 years' experience in the market, started his career running an enterprise which manufactured components for international players in the industry. He currently serves as Deputy President for the North American Chinese Chamber of Commerce, Quanzhou IAC Standing Committee member, Fujian Industry and Commerce (IAC) Association Executive Member and Quanzhou Political Consultation member. Other Group top management members also have extensive industry experience. The Group also believes that its next management level also consists of highly qualified members with extensive experience and an understanding of the daily-use hygiene product machinery production industry.

Leading market position among Chinese manufacturers: The Group believes that it has had a leading position among Chinese manufacturers of machines producing daily-use hygiene products since 2000, and is one of the largest domestic producer of machines producing daily-use hygiene products in China in terms of revenues for 2012, according to the Group's estimates based on publicly available data.

The Group has established quality control systems at all production stages as well as providing after-sales services, allowing it to collect feedback from customers. The defect rate for the Group's products (sales of spare part/cost of sales) is only 0.2%. The Group obtained ISO:9001 quality control certification and European Union CE certificates. The Group believes that the quality and design of its products is close to that of international manufacturers and exceeds majority of other domestic competitors.

The Group further believes that the quality of its products serve as well as its technology level provides it with significant competitive advantages over most of its domestic Chinese competitors. The Group believes that its brand and ability to satisfy larger orders enable it to clients to which small producers do not have access. In addition, the Group believes that its diversified product portfolio allows it to meet sophisticated client needs, which most of other Chinese producers are not able to do. The Group also believes that its leading position allows it to solicit and retain more valuable employees than some of its domestic Chinese competitors.

The Group expects that it will further benefit from its leading position in the light of expected consolidation of the hygiene product market which, the Group believes, will favour the strongest players among machinery producers.

Significant scale of business operations compared to domestic Chinese competitors: The Group believes that its size provides it with significant competitive advantages over most of its domestic Chinese competitors.

In particular, the Group believes that it is able to manage its production more flexibly and source raw materials and components more cost efficiently than most of its domestic Chinese competitors, as it can purchase these items in larger quantities at competitive prices and hold them for longer periods in stock. The Group further believes that it is able to manage inventories more efficiently than most of its domestic competitors. The Group also produces some crucial components in-house, which allows it to manage the cost-to-quality ratio more efficiently than most of its domestic Chinese competitors.

The Group also believes that its strong financial position allows it to benefit from its international presence, in particular through attending exhibitions and industry conferences, which smaller Chinese players cannot afford to do.

Advanced technology used in the production process: The Group uses high-precision machines in producing components (e.g. CNC (*computer numerical control*) lathes, three-dimensional precise CNC vertical milling machines, etc.) as opposed to hand-made components, which smaller domestic Chinese competitors use.

The Group believes that its high technology allows the production of more precise production lines and machines and the quality gap with international players to be closed, while providing a significant advantage over most of its domestic Chinese competitors.

R&D capability: The Group believes that it has developed more advanced know-how and has more advanced production equipment and technologies than most of its domestic competitors. The Group has developed its own R&D centre employing 23 employees, all of whom have a higher education degree or diploma. To the Group's best knowledge, the Group is among the domestic Chinese players offering most advanced products, in particular advanced full-servo machines, which are currently considered to be the most advanced machines on the market.

The Group also regularly cooperates with several academic and industry centres such as: Huaqiao University, Fuzhou University, China Machinery Research Institute; Certified Fujian Provincial Industry Invention and R&D Center, and the Quanzhou Municipal Industrial Tech. & Development Centre, to improve its products. The Group believes that its products meet European standards and the majority of them have a CE certificate, in particular the Group complies with standards for quality management IS0 9001.

The Group believes that the quality and design of its products is close to that of international manufacturers and exceeds most of other domestic competitors. This constitutes a competitive advantage over these domestic competitors.

After-sales support: Unlike some of the Group's smaller competitors, the Group is able to handle most client complaints remotely via online access to the Group's products, which ensures cost and time efficient worldwide reach of the Group's after-sales service. Similarly, the Group is also able to service its products physically on the client's premises in China or abroad. Unlike some of the Group's smaller competitors, the Group is also able to react quickly to clients' needs because it maintains an inventory of spare parts, which are available at the Group's premises.

High quality after-sales support allows the Group to build strong relationships with clients and to collect valuable feedback on clients' needs and requirements, which facilitates internal product development.

Competitive cost structure compared to foreign competitors with improving product quality: The Group believes that its cost structure allows it to offer machines manufacturing daily-use hygiene products at competitive prices. The Group believes that in comparison with its foreign competitors, some of its material costs, transportation costs, management expenses and labour costs are relatively low. The Group's manufacturing plants in Fujian Province are located in an area with easy access to raw materials and components used by the Group. Convenient logistics and large-volume purchases allow the Group to maintain a relatively low cost base for its products. Currently, around half of its suppliers are up to 800 km away from the Group's plant, which helps to ensure low raw material and component costs, and just-in-time production. The Group also produces some crucial components in-house in China, which allows the cost-to-quality ratio to be managed more efficiently than most competitors.

The in-house production of some components supported by relatively low material & labour costs results in a significant cost advantage. Consequently, the Group believes that it is able to offer its products at prices which are generally lower than the prices offered by other foreign producers of machines manufacturing daily-use hygiene products.

Effective distribution network and strong customer relationships: The Group has strong local coverage of the Chinese regions in which it operates. This facilitates close client relationships and for proper response to clients' needs.

The Group believes that it has strong business relationships with many of its domestic and foreign clients, including daily-use hygiene product manufacturers and China based trading companies. The Group continues to interact closely with its domestic clients by frequently visiting them, organising new product promotion and conference and exhibitions as well as through after-sales services. The Group believes that its strong customer relationships translate into repeat business, create an overall higher demand for its products and raise awareness of its products in the Chinese and international markets.

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 strategy.

Extending sales in China to benefit from the expected growth in the daily-use hygiene product industry there and expand its international coverage.

In 2012, the Group's focus regarding its sales strategy was to build up its international presence to approach the 50/50 domestic vs. international sales split (with a growing direct international presence), which the Group believes is the realistic and optimal sales mix for its mid- and long-term development.

The Chinese market for daily-use hygiene products, and consequently machines manufacturing those products, has grown significantly over the last few years and the Group expects this growth to continue for the foreseeable future. To benefit from this growth, the Group intends to further strengthen its existing distribution coverage in China and extend it from the current coastal areas to other inland and economically growing regions including Chongqing, Henan, and Hunan. The Group believes that the development of its domestic distribution force will allow it to increase sales of its products.

Two international sales directions: the world's developing regions, and some already-developed markets.

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

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

Under the current distribution structure of the Group's products, the majority of products sold ultimately to international customers are distributed via China-based trading companies. The Group intends to increase its direct presence in selected overseas markets by increasing its advertising efforts and industry events and exhibition participations. The Group believes that international direct distribution of its products will allow it to sell its products with a higher margin. Additionally, the Group believes that there are significant business opportunities for high-quality machines manufacturing daily-use hygiene products at competitive prices in those markets and, consequently, the Group may be able to significantly increase sales of its products in those markets.

Brand recognition strengthening

The Group intends to intensify its marketing and promotion efforts, both in China and internationally by placing advertisements and increasing its presence in professional journals and expanding cooperation networks with the clients by initiating contact with potential clients and intensifying contact with existing clients. The Group believes that this will increase recognition of the Group's brand and, consequently, increase sales of the Group's products.

Further focus on R&D and quality enhancement

The Group considers its R&D and quality control expertise to be crucial to its future success and further development of its brand, as well as to its ability to sell high-end products to consumers. Consequently, the Group intends to further strengthen its research and development activities, as well as to enhance quality and increase its related expenditures. The Group intends to expand its R&D team and provide further training (both internal and external) to its R&D team. The Group also intends to further cooperate with universities and R&D centres to maintain its position as domestic technology and quality leader and achieve the technological and quality level of products similar to the world's leading players. The Group's R&D activities will focus on responding to market needs, in particular by testing its new R&D solutions on the market and shortening the commercialisation process. The Group believes that further R&D and quality enhancement is crucial to be able to successfully compete with both its domestic and international competitors.

Further increase in production capacity

The Group believes that continued growth is an important requirement to successfully participate in the growth of the Chinese machines manufacturing daily-use hygiene product industry and to maintain its leading market position among domestic players. Growing wealth and changing consumer preferences, as well as higher living standards in China has led to an increase in demand for daily-use paper hygiene products, and, consequently, machines that produce those products. The Group believes that only producers with sufficient production capacity will be able to compete successfully on a Chinese market, in particular in terms of quality, time and amount of products to be delivered. Moreover, increased production capacity is necessary to implement the Group's international expansion strategy. To adapt to the increased growth in demand, and benefit from international opportunities, the Group intends to increase its production capacity. The Group intends to open two new factories by 2016 with the intention of more than tripling its production capacity. With the view to increasing production capacity the Group also does not exclude acquiring other domestic machinery producers in the future, depending on market circumstances. The Group perceives increasing its production capacity as a significant step towards developing the Group's business.

Products

Overview

The Group designs, researches and develops, manufactures and sells machines manufacturing daily use hygiene products. The Group believes that the key features of its products are high quality and functionality offered at competitive prices. To the Group's best knowledge, the Group is among competitors based in China offering most advanced products in terms of speed, accuracy and technology. Additionally, the Group believes that its product quality and advancement is close to the products of its international competitors, and the Group aims to upgrade its products to the highest standards.

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

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

The Group currently has nearly 40 models of machines. The Group is constantly upgrading its products as well as introducing new products. In response to clients' cyclical demands, in 2010, 2011, 2012, the Group introduced nine, four and one new models of machines, respectively. The Group's core product are sanitary napkins and diaper production lines, together representing 76.9% and 81.4% of the Group's consolidated turnover in 2012 and the six months ended 30 June 2013, respectively (See "*Operating and financial review – Results of operations – Revenue by products*").

Technical developments

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

<u>Semi/Fully-automatic machines</u>

Semi-automatic machines sometimes require manual control and stopping the machine for technical purposes (splicing of raw material). Fully-automatic machines are controlled by programmable logic control (PLC), operate without manual control and splicing of the raw material is automatic. Moreover, fully-automatic machines, as opposed to semi-automatic ones, automatically reject production wastes. The semi-automatic machines are mainly based on mechanical transmission control technology, fully-automatic machine adopts frequency control technology.

<u>Semi/Full-servo machines</u>

Full-servo machines are currently the most advanced machines in the industry. Full-servo machines operate as a multiengine system with multiple motors, where each production part is driven by a separate motor having its own computer control (while in semi-servo machines some parts of the production are driven jointly by one motor). This allows not only for much greater speed than non-servo machines (full-servo machines are usually 30% faster than non-servo machines), but also significantly improves reliability and quality of production, as well as costs related to operating the machines. Semi-servo machines and full-servo machines also adopt a more advanced steering system than full- automatic machines.

Pricing policy

Machines and production lines included in the Group's product mix differ significantly both in terms of material and labour requirements as well as unit prices. Average machine prices throughout the analysed period are presented in the table below.

	2010	**2011**	**2012**
	TEUR	**TEUR (unaudited)**	**TEUR**
Sanitary napkins production lines (average price)	227.8	298.5	305.3
Diaper production lines (average price)	356.6	359.3	463.4
Facial tissue machines (average price)..	14.2	17.2	18.0
Other paper machines (average price)..	27.5	71.3	54.1

Source: the Company

In general, due to their complexity and technological advancement, production lines in the sanitary napkin and diaper segments have significantly higher per-unit price than machines in the facial tissue and other segments. Average prices shown above describe the discrepancy in per-unit price between segments, however, within a particular segment the products can be priced either significantly below or above average, depending on a particular product's complexity (as the products are tailor-made according to customers specifications) and technology used (semi-automatic/fully-automatic/semi-servo/full-servo).

Diaper Machines

Diaper Machines contributed revenues of 34.9% and 36.7% of the Group's consolidated turnover in 2012 and the six-month period ended 30 June 2013, respectively. Diaper machines are machines that produce diapers (for babies and adults) by adhering several kinds of materials which form disposable diapers within one production cycle. At the end of the production process, the fully-formed diaper is produced. The production cycle involves adhering different materials together, shaping a basic diaper as well as folding the ready for use diaper. The machines may also be equipped with additional module packaging the diapers.

Depending on the type of machine, it should be operated by 1 to 4 persons. Diaper machines may be semi-automatic, fully-automatic, semi-servo or full-servo machines. The machine can also be upgraded according to customers' requirements.

Examples of these products are given below:

Product	**Key features**
Full-servo control full-function baby diaper line 	output products: xl, l, m, and s baby diaper designed speed: 600 pcs/min production (optimal) speed: 500 pcs/min(medium) overall size: 28m(l)×7m(w)×3.4m(h) (including crusher and stacker) power: approx. 300kw (380v, 50hz) weight: about 52 t

Product	Key features
Semi-automatic baby diaper Production Line 	output products: xl, l, m, s (other sizes can be also produced by order) designing speed: 450 pcs/min production speed: 250 pcs/min overall size: 25m(l)×7m(w)×3.4m(h) (including crusher and stacker) power: approx. 160kw (380v, 50hz) weight of equipment: about 40t
Full-servo control full-function adult diaper production line 	products output: l, m, s (other sizes can be also produced by order) designing speed: 300 pcs/min production speed: 250 pcs/min (m) overall size: 30m(l)×7m(w)×3.4m(h) (including crusher and stacker) power: approx. 400kw (380v, 50hz) weight: about 100t
Semi-automatic Adult Diaper Production Line 	output products: : xl, l, m, and s baby diaper designed speed: 200 pcs/min production speed: 150 pcs/min(medium) overall size: 30m(l)×7m(w)×3.4m(h) (including crusher and stacker) power: approx. 300kw (380v, 50hz) weight: about 63 t

Sanitary Napkin Machines

Sanitary Napkins Machines contributed revenues of 42.0% and 44.6% of the Group's consolidated turnover in 2012 and the six-month period ended 30 June 2013, respectively. Sanitary Napkin Machines produce sanitary napkins (that includes also pads and panty liners) by adhering several kinds of materials to form disposable napkins within one production cycle. At the end of the production process, the fully-formed sanitary napkin is produced. The production cycle involves adhering different materials together, shaping a basic sanitary napkin as well as folding and packing the ready-for-use sanitary napkin. The machines may be also equipped with additional bag packaging module.

Depending on the type of machine, it should be operated by 1 to 4 persons. Sanitary napkins machines may be semi-automatic, fully-automatic, semi-servo or full-servo machines. The machine can be also upgraded as per customers' requirements.

Examples of these products are given below:

Product	Key features
Full-servo control Sanitary Napkins Line 	output products: cotton core type & ultra-thin type fast-easy package winged sanitary napkin designed speed: 900 pcs/min production speed: 700-800 pcs/min (day use) overall size:22m(l)×4m(w)×3 m(h) power: approx. 200kw (380v, 50hz) weight: about 40 t
Semi-automatic Sanitary Napkin Production Line 	output products: cotton core type & ultra-thin type bar winged sanitary napkin designed speed: 500 pcs/min production speed: 350-400 pcs/min (day use) overall size: 20m(l)×4m(w)×3m(h) power: approx. 160kw (380v, 50hz) weight: about 35 t
Full-servo control horizontal panty liner production Line	output products: cotton core type and ultra-thin type fast-easy package panty liner designed speed: vertical output 1300

Product	Key features
	pcs/min horizontal output 2200 pcs/min production speed: vertical output 1100-1200 pcs/min horizontal output 1800-2000 pcs/min overall size: 15m(l)×4m(w)×3 m(h) power: approx. 160kw (380v, 50hz) weight: about 28 t
Semi-servo Pets Pad Line 	output products: bed mattress or pet mattress designed speed: 200 meters /min production speed: 180meters /min overall size: 25m(l)×7m(w)×3.2m(h)(including crusher) power: approx. 300kw (380v, 50hz) weight: about 70 t
Full-servo Pets Pads Line 	output products: bed mattress or pet mattress designed speed: 220 meters /min production speed: 200meters /min overall size: 25m(l)×7m(w)×3.2m(h)(including crusher) power: approx. 300kw (380v, 50hz) weight: about 70 t

Facial Tissue Machines

Facial Tissue Machines contributed revenues of 15.4% and 13.6% to the Group's consolidated turnover in 2012 and the six-month period ended 30 June 2013, respectively. Facial Tissue Machines produce facial and various other kinds of tissues (including wet tissues) within one production cycle. At the end of the production process, the fully formed tissue is produced. The production cycle involves folding, embossing, cutting and (optionally) printing the ready-for-use tissue. The machines may also be equipped with an additional bag packaging module.

Depending on the type of machine, it should be operated by 1 to 3 persons. Tissue Machines may be semi-automatic or fully-automatic. The machine can be also provided with additional options according to customers' requirements.

Examples of these products are given below:

Product	Key features
5-20 pieces wet tissue line 5-20 	Packaging size: L x W x H=90~200x70~90x5~30(mm) Production speed: 60-80 pcs/min (standard pieces: 10 pcs/min) (with 2 sets of PX-SJZ-BZ20 Full-automatic folding machine or use the robot hand to connect the machine, speed can be improved double). Machine power: 5.0kw Overall size: L x W xH=7.5m x 1.8m x 1.8m
Full auto edge trimmed and sealed printed Sanitary Napkins Line 	machine model: 1092／1575／1760／2200／2500／2800 finished products diameter: Φ 60～150 (tightness can be adjustable) production speed: 180～200 m/min overall size (m)(l×w×h): 7×(2.3-4)×1.8 weight: 4000～8000kg (approximately)
Full auto box tissue line	machine model: px-mjz-cs(200-210) finished products size(mm): 200/210×210mm (width is adjustable) (other sizes can be designated) machine speed: 1200~4800 draws/min (set as per how many lines) power: 9kw/16kw/27kw, (380v, 50hz) overall size: l×w×h =7× (1.2~2.1) ×1.8m weight of machine: 2~4t

Product	Key features
	
Automatic Folding Napkin Paper Machine 	Machine model: PX-CJZ-(CY)ZD 200-400 (type) Speed: 0-140m/min (set as per size) Finished products size (mm): 200x 200-400x400 Folded size(mm):100x100-200x200±2 （Width is adjustable） Colour printing mode: Rubber printing 1-6 colours, set as per size, speed 0-120m/min Embossment system: Steel to paper roller, steel to felt roller, steel to rubber roller, steel to steel roller Overall size (m): 4.5x1.0x1.5-6.2x1.2x2 Weight: 1500kg-2800kh
Vacuum mini Type Face Tissue Machine	Machine model: PX-SPZ-(CY) ZD200/210 Finished products size (mm): 210 (L) x 210 (W) ±2mm (other sizes can be ordered) Folded products size (mm) A.LxW=75 x 52mm, B.LxW=105x52mm Folding speed: 500~550 pcs/min

Product	Key features
	Power: 5kw (380V, 50Hz) Vacuum system power; 3KW Embossment down roller: Steel to rubber, steel to steel (ordered separately) Overall size(m): LxWxH=3.5x1.0x1.5m Weight: 1.0T

Other machines

Other machines contributed revenues of 7.8% and 5.0% to the Group's consolidated turnover in 2012 and the six-month period ended 30 June 2013, respectively. Other Machines produce various daily-use hygiene products that do not belong to the segments above, as well as additional modules for the machines belonging to the segments. The other machines segment contains various machines (including those producing fruit pads, gauze, and packaging segments).

Examples of these products are given below:

Product	Key features
Full-servo fruits pads machine 	output products: bed mattress or pet mattress designed speed: 600 pieces /min production speed: 500 pieces /min overall size: 20m(l)×7m(w)×3.2m(h)(including crusher) machine power: approx. 300kw (380v, 50hz) weight: about 60t
Stowing machine	Packaging component Main parameters: stacking slices Number: 10-40, double outlet, the slice number depends on the speed of the packaging machine. Compression ratio: 60%-75%. This stacker can be connected to the automatic packaging machine

Product	Key features
	

Production

The Group's production depends on available capacity and fluctuation in number and timing of orders (which may result in production peaks). Available capacity is mainly influenced by three factors: working hours available (number of production employees multiplied by average working hours/day), space available in workshops, warehouse and assembly hall, as well as machinery units installed.

The table presents capacity and its utilisation measured in working hours.

	2010		2011		2012	
	mechanical workshop	assembling workshop	mechanical workshop	assembling workshop	mechanical workshop	assembling workshop
Total Capacity (working hours)	300,000	240,000	330,000	264,000	362,000	290,000
Utilisation rate (8h/ a day)*	77%		104%		96%	
Utilisation rate (8h + 2 h/ a day)*	61%		84%		77%	

**Utilisation rate = working hours utilised / working hours available; utilisation rate is higher of utilisation rate on mechanical workshop or assembly*

Source: the Company

Utilisation rate is measured as total working hours necessary to manufacture machines in relation to total available working hours (250 working days a year, 8h a day (alternatively 8h + 2h overtime a day, which is practically an average maximum overtime)).

The number of employees has been fluctuating through the years, however due to the increase in machinery efficiency and logistics management, the Group has been able to increase the number of machines produced (including a significant increase in more complex machinery production such as diaper machines and sanitary napkin machines).

Working hours available are not the only constraint for the production level. Currently, overall capacity is limited also by assembly area, the utilisation of which depends on orders timing and production mix –

especially diaper and sanitary napkin production lines are significantly larger (see product description), therefore requiring more assembly space.

The table below presents the product mix in the analysed period.

	2010	2011	2012
		Units (audited)	
Sanitary napkins machines	39	45	64
Diaper machines	16	26	35
Facial tissues machines	319	466	396
Other paper machines	23	29	67
Total	397	566	562

Source: Consolidated Financial Statements

Throughout the analysed period, the number of most-labour intensive machines, requiring significantly more assembly area increased significantly.

Production machinery installed in mechanical workshops remain another limitation factor, however the Group continuously replaces/upgrades outdated machines increasing the potential output produced in the same number of working hours on the same area.

Currently, the Group recognises the need to expand its capacity (especially in terms of assembly area) in order to accept all the demand in time required by potential customers. By the end of the year, the Group intends to adapt part of its existing building (area currently leased to third parties) to increase the assembly area.

Further capacity increases are necessary to maintain the high production growth, therefore the Group established a detailed investment plan (See "*Investments"*).

Production is delivery driven and arranged to optimise time labour and space. The Group has not experienced any significant delays in the Group's production process during the period covered by the Consolidated Financial Statements. However, given the intended increase in sales, the Group intends to increase its production capacity (See: "*Use of proceeds*" and "*Investments*".)

Production facilities and equipment

The Group currently operates one factory, in Quanzhou, Fujian province, which was established in 2006 and covers approx. 54,000 square meters of land, with approx. 18,000 square meters of production area. Previously, the Group operated a factory which remains in the Group's possession but is not operational due to its relatively small size and location in the city centre, which makes logistics difficult. For more information, please see "*Business Description – Tangible assets".*

The Group has not experienced any significant production breaks in the Group's production process during the period covered by the Consolidated Financial Statements.

Production process

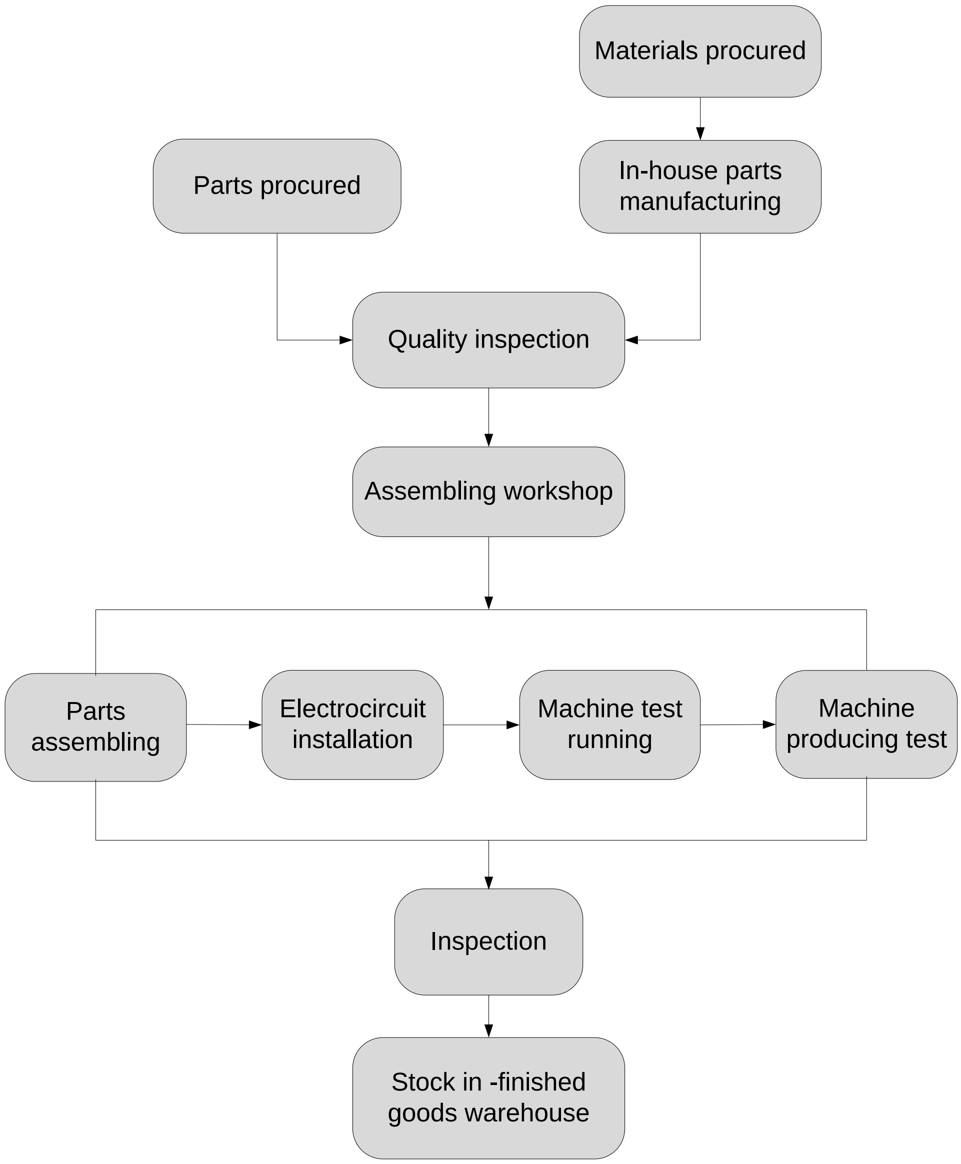
The Group's production process starts with purchasing components such as motors, glue machines and electronic accessories and raw materials such as steel from third parties. On accomplishing this procurement, the Group's workshop starts manufacturing parts.

Components manufactured by the Group's products are manufactured mainly from steel bought and produced by the Group in a process involving gas cutting, welding, milling, polishing, and drilling. All of the self-produced components and components bought from third parties are subsequently subject to quality control.

Professional equipment such as CNC (*computer numerical control*) lathes, three-dimensional precise CNC vertical milling machines and internal grinders and Gantry milling CNC machines are used in production processes. Steel parts produced in-house and outsourced are later used in assembly.

Afterwards, all of the components are transferred to the assembly section of the plant. Production lines require glue machines that put glue on stick materials in sanitary napkins, panty liners, underpads and diapers; 3-8 glue machines are installed in every production line. The assembly process is followed by the installation of electric circuits and product tests. Approximately 30-60 motors with various functions are used in the machines, depending on the type of machine. When the assembly process is finished, the products are subject to quality control and stored in the finished goods warehouse. If the tests are successful, production lines are disassembled into sections to enable shipment.

The production process usually takes one to three months, depending on the type of machine, with parts manufacturing being the most time consuming. The production process is illustrated in the diagram below.



Sales and Distribution

The Group sells its products in China and in other countries, mainly in Asia, Africa and South America. All products are sold under the "*Peixin*" brand. The Group distributes its products internationally, mainly through

China-based trading companies that sell the Group's products on to end customers. The Company believes that substantially all sales of the Group's products to trading companies is subsequently sent by those companies to ultimate clients outside China. Consequently, the Company considers all its sales to trading companies as international sales. The Group also distributes part of its products directly to international customers. The Group believes that it has a strong relationship with customers which results in repeat orders, also due to the high quality and services of the Group.

The following table breaks down the Group's sales:

	31 December						**Change**	
	2010		**2011**		**2012**		**2010/2011**	**2011/2012**
	Unit	**TEUR**	**Unit**	**TEUR**	**Unit**	**TEUR**	**%**	**%**
			(audited)				**(unaudited)**	
Revenue:								
Direct sales								
-Mainland China................	141	13,202	261	21,077	328	24,818	59.7	17.7
-Outside Mainland China ...	93	2,295	61	2,698	51	2,203	17.6	-18.3
Sales to trading companies.....	163	4,243	244	9,064	183	19,488	113.6	115.0
		19,740		32,839		46,509	66.4	41.6

Source: Consolidated Financial Statements

As of 30 June 2013, the Group's sales department consisted of 23 sales representatives (and another three currently being trained), all of them based in China. A significant part of the remuneration of the sales representatives is performance-based.

Seasonality

The Group's business is seasonal. The Group usually generates relatively less sales in the first quarter and relatively more sales revenue in the fourth quarter of the year.

The table below shows share (%) of each quarter in annual sales:

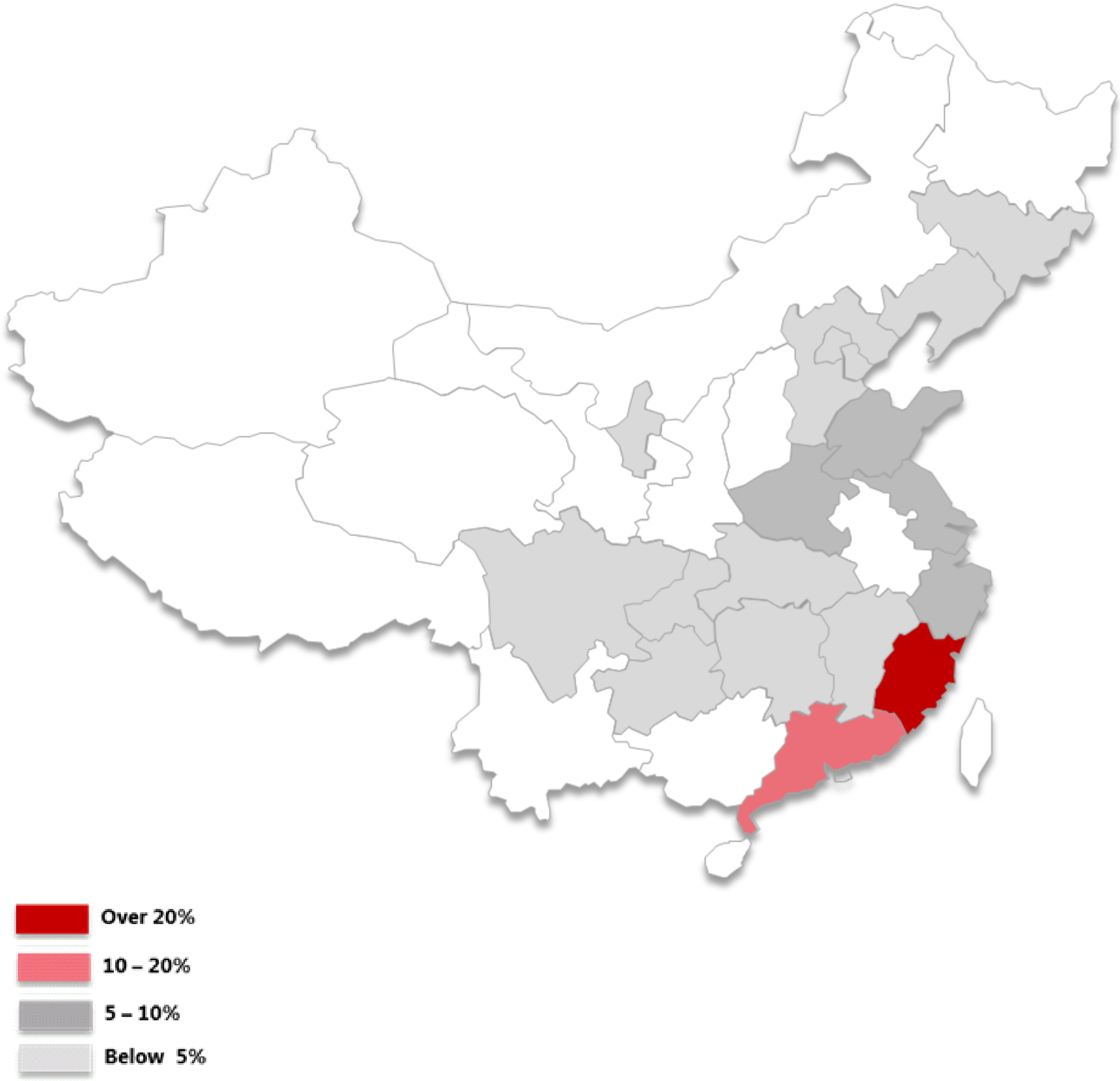
No.	**1Q**	**2Q**	**3Q**	**4Q**
2010	22%	27%	27%	24%
2011	19%	27%	21%	33%
2012	20%	28%	22%	30%

Source: the Company

Distribution in China

Distribution in China is based on the Group's selling representatives, who cover mainly the costal region of China. Domestic sales constituted 53.3% of total sales in 2012. Nearly half of domestic sales in 2012 was in Fujian province, where the Group has its headquarters, production and assembly facilities, and where a significant number of daily hygiene product manufacturers are located.

The diagram below shows the geographical breakdown of direct sales of the Group's products in China in 2012:



Source: the Company

Distribution outside China

The Group's international sales are mainly in Asia, Africa and South America. International sales are generated mainly through indirect sales to trading companies in China who sell the Group's products on to international clients. The Company believes that substantially all of the Group’s products sold to trading agencies are sold by them outside China. In 2012, 4.7% of the Group's products (by revenue) was sold by the Group to international clients directly.

Trading companies are external trading companies mainly based in China who buy the Group’s products and sell them on at their own risk. The trading companies cooperate with the Group on a non-exclusive basis on case-by-case orders.

Direct sales are mainly generated by: (i) direct contacts with clients during industry exhibitions and conferences in which the Group participates regularly; (ii) clients that are already using the Group’s products; and (iii) clients that otherwise contact the Group directly.

The diagram below shows where the Group's products were sold outside China in 2012 (both directly and indirectly):

Source: the Company

The table below gives a detailed geographical breakdown of direct and indirect sale of the Group's products outside China.

Plans

The Company would like to expand its distribution network to increase its capabilities, allow closer relationships with clients and react in a timely manner to local needs.

The Group plans to further develop its sales network in the provinces of Guangdong, Fujian, Shandong, and Tianjin, and expand it in Chongqing Municipality, and the provinces of Henan and Hunan. The Group would also like to increase its sales force from the current 26 employees in the sales department (including seven responsible for international sales). Depending on the market conditions, the Group intends to double the number of its sales representatives by 2015, both in domestic and international markets.

The Group also intends to increase its direct sales in selected overseas markets such as India, Turkey and USA, by increasing promotional efforts such as targeted advertising and participation in exhibitions. The Group believes that there are significant business opportunities for high-quality daily-use hygiene product machines, usually generating higher margins, present in those markets and, consequently, the Group may be able to increase sales of its products in those markets. The Group also believes that direct distribution of its products to international markets will allow the Group to sell its products with a higher margin compared to sales through the selling companies.

Delivery and payment terms

All logistics, except for those related to direct international sales, which is usually based on FOB Incoterm, are usually arranged and covered entirely by the clients. Small machines are shipped as one piece, whereas large ones are disassembled into modules before shipment. The Group's specialised employees are usually sent to the customer's factory to oversee post-shipment assembly.

The sales agreements usually provide for 30% down payment after signing the contract. 60% of the price is paid within 20 days after shipment and the remaining 10% of the price is usually due within a year (in line with warranty durations). Clients are usually responsible for covering custom duties.

In the first half of 2013 the Group observed an increased number of consolidations among manufacturers of daily use hygiene products in China, including among its main customers. Accordingly, the Group made a decision to adjust its payment policy and offer its main customers, who were leading the process of consolidation, an improved payment terms. The Group believes that this will facilitate the successful accomplishment of such customers' consolidation process and that they will return to the Group with increased orders. The Group also believes that such policy allows it to improve its competitive position on the market, in the mid-term, even though it may impact its operational results in short-term due to longer collection periods and increased level of necessary working capital. As a result of this policy the average credit period offered to the Group's customers amounted to 60 days.

Customers

The Group sells its products to daily-use hygiene product manufacturers and trading companies, who on-sell the daily-use hygiene machines to end producers. In 2012, 2011 and 2010 the Group's top five customers accounted for approximately 22%, 26% and 31% of the Group's total sales.

The table below shows the Group's top-five customers in 2012:

Customer	**TEUR** **Sales 2012**	**% of Sales 2012**
Customer 1	3,513	7.55%
Customer 2	2,472	5.32%
Customer 3	1,644	3.53%
Customer 4	1,373	2.95%
Customer 5	1,236	2.66%
Top Five Customers	10,238	22.01%
Total Sales	46,509	

Source: Company

All five of the Group's top clients are trading companies.

After-sales services

The Group implemented a formalised aftersales procedure aimed at monitoring aftersales of its products as well as providing support services. The aftersales service covers all of the Group's products. The Group usually grants a one-year guarantee for its products. The aftersales service is provided by an experienced group of technicians from R&D, sales and production departments. The staff providing after sales services is able to handle the client's complaints either remotely via online access to the Group's products or physically on the client premises in China or abroad. The after sales service team is able to reach the client's premises in China usually within 48 hours depending on location. The Group is also able to react quickly to clients' needs because it maintains an inventory of spare parts, which are available at the Group's premises.

The aftersales service also gives the Group feedback from its clients which can be processed by the Group’s R&D department and used for product development and to help develop client relationships and enhance products.

Marketing

The Group actively markets its products to strengthen its brand recognition as a high quality daily-use hygiene product machine producer and support the sales of its products. The marketing activities are performed by the sales department. The Group’s main marketing channels are direct contact with clients, participation in exhibitions and industry conferences and advertisements, in particular on the internet.

Procurement and Supply

The Group purchases raw materials (such as steel) as well as components (such as motors, glue machines and electronic accessories) for its products. The Group generally avoids relying on only one supplier for specific raw materials or other components. Although the costs of changing suppliers are not significant, the Group relies on longstanding relationships with a steady number of suppliers, based usually on yearly supply agreements, which allows the Group to obtain more favourable terms as compared to case by case orders. The Group's manufacturing plants in Fujian Province are located in an area with easy access to raw materials and components. Convenient logistics and large-volume purchases allow the Group to maintain a relatively low cost base for its products. Around half of the Group's suppliers are up to 800 km away from the Group’s plant, which helps to ensure low raw material and component costs and just-in-time production, which has a positive impact on gross margins. The purchase process involves the following steps: (i) identifying potential suppliers and evaluating them; (ii) entering into framework purchase contracts with selected suppliers; (iii) placing purchase orders; (iv) delivering purchased goods; and (v) quality control of deliveries.

The Group’s general inventory policy is to have in stock raw materials and standardised small components allowing proper cost management, avoiding price fluctuation exposure, ensuring production continuity safety and benefiting from volume discount. The raw materials and standardised small components the Group usually has in stock allow two to three months of production.

The following table provides an overview of the Group's main suppliers in 2012.

No.	Supplier	Product Purchased	Value (TEUR)	% 2012 COGS
1.	Supplier 1	Electronic Controls	2,889.95	10.05%
2.	Supplier 2	Glue Machine	2,850.67	9.92%
3.	Supplier 3	Motor & Accessories	2,715.82	9.45%
4.	Supplier 4	Outsourcing	2,199.43	7.65%
5.	Supplier 5	Steel	1,841.61	6.41%
6.	Supplier 6	Motor & Accessories	1,808.32	6.29%
7.	Supplier 7	Controller Equipment	1,557.71	5.42%
8.	Supplier 8	Motor & Accessories	1,485.29	5.17%
9.	Supplier 9	Steel	1,191.63	4.15%
10.	Supplier 10	Pneumatic Equipment	1,092.25	3.80%
Top-10-Suppliers			19,632.70	
Total Purchase (by value)...............			25,932.17	

Source: the Company

Supply of materials consumed in production

For 2012, 82.5% of the Group's production costs consisted of costs of materials. The Group entered into contracts with numerous suppliers generally based on its standard purchase contract. The framework agreements with suppliers are usually entered into for one year. Deliveries are made on the basis of purchase orders placed by the Group with a supplier. The object of delivery, its price, quantity and quality are determined on the basis of the content of the purchase order sent by the Group to the supplier. The supply, made on the basis of such order, is delivered to the place determined by the Group. The supplier shall attach a label to the products confirming that the product passed the quality examination and hand over the certificate of quality. If the qualities of the supplied goods do not conform to trade standards, the Group is entitled to return the goods and demand a refund. If the quantity does not conform to the purchase order, the Group can sign the receipt of the actual received products. In the event of a default, the defaulting party is required to compensate actual losses incurred by the non-defaulting party. According to the framework agreements, the risk related to the goods transfers from the sellers to the Group on signing the receipt confirming delivery of the goods.

Steel

Steel accounted for approximately 17.7% of the Group's production costs for the year ended 31 December 2012 (17.1% for 2011 and 16.2% for 2010). In recent years, steel prices have been prone to fluctuations. The Group believes that the domestic supply of steel is currently sufficient for its production needs. The Group has established stable purchasing relationships with multiple suppliers. See: "*Operating and financial Review*".

Glue machines and Motors

Glue machines and Motors are one of the key components for the Group and accounted for approximately 28.9% of the Group's production costs for the year ended 31 December 2012 (27.8% for 2011 and 22.2% for 2010).

Glue machines are machines which spray glue and combine different materials at the end of the product production process. Glue machines are used for production lines belonging to diaper and sanitary napkins machine segments.

Motors are used in every machine.

Electric controllers

Electric controllers (such as servo controller, programmable logic controller (PLC), inverter, transformers) are another key component for the Group and accounted for approximately 13.1% of the Group's production costs for the year ended 31 December 2012 (13.0% for 2011 and 11.9% for 2010).

Others

Additionally, the Group purchases materials such as knife rollers and cylinders, auxiliary materials (such as nonwovens, Polyethylene films) and other components (such as bells and switches).

Research and Development

Overview

The Group believes that it possesses thorough industry know-how. The Group constantly develops its products to meet the client's expectations. The Group has developed its own R&D centre employing 23 employees, 12 of whom have bachelor degrees and 11 have a mechanical engineering diploma or certificate. Most R& D employees have over five years' industry experience.

The Group's R&D expenditures were TEUR 701 in 2010, TEUR 782 in 2011 and TEUR 1,019 in 2012.

The Group's R&D system is based on inter-departmental cooperation. The initial step in the R& D process comprises investigating market trends, collecting feedback from customers as well as the aftersales service, all of which the Group considers as a crucial factor in the R&D system. As the next step, the annual R& D plan is established, containing forecasts of market trends. Subsequently, the R&D projects are assigned to each group with three or four technicians who prepare specific R&D reports containing development plans, project results descriptions and feasibility of commercialisation. Based on the reports, prototypes are prepared and are tested. Following the test phase, a new machine goes into production.

It usually takes from three to nine months from the initial concept for a new product to go into production.

To be able to meet the most sophisticated technical requirements, the Group has also cooperated with several academic and industry centres: Huaqiao University, Fuzhou University, China Machinery Research Institute; Certified Fujian Provincial Industry Invention and R&D Centre, and the Quanzhou Municipal Industrial Tech. & Development Centre, to improve its products.

To the Group's best knowledge, the Group is among most advanced Chinese players currently offering advanced products, in particular advanced full-servo machines. The Group believes that the quality and design of its products is close to that of international manufacturers. To the best of the Group's knowledge, the Group is one of a few Chinese producers of daily-use hygiene product machines that develops its own software.

The proceeds from the Offering will be used, among others, to establish a research and development centre which will help to ensure that the Group broadens the scope of its products and satisfies the needs of its customers. See "*Use of proceeds*"

The Group takes steps to protect its know-how. The internal R&D process is designed in a way that prohibits unauthorised access by third persons. The Group also actively seeks legal protection for its products. Key employees are bound by non-compete agreements, new projects and solutions are safely stored on encrypted servers, external projects are supported by confidentiality agreements, and all rights to work accomplished in cooperation with third parties are granted exclusively to the Group.

Plans

The Group plans to continue and develop R&D and manufacturing high margin production lines for full-servo baby training pants. The Group is currently testing and implementing modifications to this production line and expects to commercialise it by the end of the year.

The Group also plans to cooperate with domestic and international industrial authorities and R&D centres to strengthen and enhance the capability of its R&D centre on new products, parts and components and commercialisation, as well as improvements in the quality and standardisation levels of the key parts and components used across the Group's product lines.

Quality

Industry standards and awards

The Group believes that the quality of its products is close to that of top international manufacturers and exceeds most of other domestic competitors. The internal quality control standard is for the output-waste rate of the production line and machines to be equal to or below 2% depending on technology of the machine/production line. Moreover, the ratio of post–sales services cost (which comprises mainly costs of materials used in after-sales services) to cost of materials consumed in production remains below 0.5% for the period covered by The Consolidated Financial Statements.

The Group was granted ISO, European Union CE certificates and in 2005; 2008 and 2011 the Group was granted "*Fujian famous trademark*", which is a trademark given by local government for three years to Fujian-based companies in particular for product quality, financial performance, market share and brand recognition. In 2011, the Group developed and produced its first full-servo adult diaper line, which was awarded Quanzhou

2011 R&D project award granted for major R & D project. On 9 November 2011, Fujian Peixin obtained the “High and New Technology” certificate and the application for the High and New Technology tax deduction was approved in 2012, thus Fujian Peixin has been enjoying a low tax rate of 15% from January 1, 2012. This reduction expires on December 31, 2013 if Fujian Peixin fails to renew the “High and New Technology” certificate.

Quality control

The quality control is performed by a quality inspection team. The Group considers the quality of its products to be crucial for the success of its business. The Group has implemented an internal quality review system. Quality control is conducted at every level of production. The quality control procedures start with quality assurance of raw materials, parts and components, which includes an annual evaluation of the Group's major suppliers and inspection of raw materials, parts and components on their arrival. The Group regularly dispatches quality control personnel to its key suppliers to ensure the quality of the raw materials, parts and components. Raw materials, parts and components that fail the inspection are returned to suppliers. The Group also established a set of quality control measures in all key stages of the manufacturing process, and tests all finished products before delivery to the clients. Products that fulfil the criteria are delivered to customers.

The Group grants a one-year guaranty for all of its products. The Group constantly monitors the use of its products through periodical contact with its clients and provides after-sales services (see "*Business of the Group – After-Sales Services*".

Intellectual property

To protect the Group’s brand and other intellectual property, the Group relies on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with its employees, suppliers, distributors and others. The Group applies for patents and registers its trademarks to protect them against its competitors. If the Group’s inventions were not protected by patents, they could be copied and used by the Group’s competitors, which in turn could have a material negative impact on the issuer’s competitive position and profitability.

Patents

The Group is the owner of one patent for invention and eight patents for utility models and has seven patent applications for inventions and two patent applications for utility models in the PRC.

Patents for invention and pending applications for patents

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
ZL 201110127221.1	湿巾加水循环系统 wet towel water circulation system	16 May 2011	5 December 2012	Twenty years from the application date	Awarded
201110076293.8	改进的全自动卫生巾包装机压实送料机构 compaction feed mechanism for an	29 March 2011	N/A	Twenty years from the application date	Pending

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
	improved automatic sanitary napkin packing machine				
201110075518.8	compaction feed mechanism for an automatic sanitary napkin packing machine 全自动卫生巾包装机压实送料机构	29 March 2011	N/A	Twenty years from the application date	Pending
201110075517.3	卫生巾包装机的离型纸自动放、换卷机构 discrete paper automatic discharge, changing roll mechanism for a sanitary napkin packaging machine	29 March 2011	N/A	Twenty years from the application date	Pending
201110458484.0	柔性片材折叠机构 soft sheet folding mechanism	30 December 2011	N/A	Twenty years from the application date	Pending
201210237768.1	宠物(床)垫生产线机械 pet (bed) mat production line machinery	11 July 2012	N/A	Twenty years from the application date	Pending
201210237782.1	复卷机厨房用纸的上胶机构 rewinding machine kitchen paper gluing mechanism	11 July 2012	N/A	Twenty years from the application date	Pending
201010004768.8	一种柔性材料张力控制装置 a soft material translator device	13 January 2010	N/A	Twenty years from the application date	Pending

Source: the Company

Patents for utility models

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
ZL 2010 2 0002761.8	一种柔性材料张力控制装置 a soft material translator device	13 January 2010	13 October 2010	Ten years from the application date	Awarded
ZL 2010 2 0004370.X	一种造纸设备 papermaking equipment	15 January 2010	8 June 2011	Ten years from the application date	Awarded
ZL 2010 2 0004365.9	一种面巾纸机 a facial tissue machine	15 January 2010	20 October 2010	Ten years from the application date	Awarded
ZL 2010 2 0004366.3	一种旋切刀辊和旋切装置 a rotary cutter roller and rotary cutting device	15 January 2010	10 November 2010	Ten years from the application date	Awarded
ZL 2010 2 0004367.8	一种模轮装置 a wheel device	15 January 2010	20 October 2010	Ten years from the application date	Awarded
ZL 2010 2 0004371.4	一种折叠切断装置 a folding and cutting device	15 January 2010	13 October 2010	Ten years from the application date	Awarded
ZL 2011 2 0157069.7	湿巾加水循环系统 a wet towel water circulation system	16 May 2011	18 October 2012	Ten years from the application date	Awarded
ZL 2011 2 0572085.2	柔性片材折叠机构 a soft sheet folding mechanism	30 December 2011	5 September 2012	Ten years from the application date	Awarded
201220332707.9	宠物(床)垫生产线机械 pet (bed) mat production line machinery	11 July 2012	N/A	Ten years from the application date	Pending

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
201220332690.7.1	复卷机厨房用纸的上胶机构 rewinding machine kitchen paper gluing mechanism	12 July 2012	N/A	Ten years from the application date	Pending

Source: the Company

Trademarks

The Group has registered the following trademarks related to its business with the Trademark Office of the State Administration for Industry and Commerce of the PRC:

Trademark	Ownership	Registration No.	Duration
	Quanzhou Peixin	759534	7.08.1995 - 6.08.2015
	Quanzhou Peixin	4607786	14.02.2008-13.02.2018

Source: the Company

All of the Group's trademarks are currently used by Fujian Peixin under a license agreement with Quanzhou Peixin

Domain names

The Group has registered the following internet domain: www.peixin.com.

Investments

During the last three financial years, the Group has made the following material investments:

Investment	2010	2011	2012	Total 2010-2012
	(unaudited)			
TEUR				
Machinery	1,940,058.82	736,441.67	118,480.09	2,794,979.58
Plant & Improvement	-	-	1,039,362.32	1,039,362.32
Land	-	-	-	-
R&D (materials only)	298,231.45	369,984.55	547,205.51	1,215,421.51

Total	2,238,290.27	1,106,425.22	1,705,047.92	5,049,763.41

Source: the Company

The machinery acquired in 2010 – 2012 comprised of production and assembling machines, both needed for production level increase as well as for replacing currently used machines. The investments related to improvements included mainly renovation of the Group's workshop's and expansion of production area. Line item "Plant & Improvement" is recognised in financial statements as addition to the property, plant and equipment. The R&D investments included cost of material required for testing production of diapers and napkins.

The investments in 2013 up to the Date of the Prospectus that have already been started by the Group include RMB 15 mln (EUR 1.8m) prepayment for the machinery for mechanical workshop producing parts out of raw materials with the remaining amount of RMB 35 mln (EUR 4.3m) to be paid in the third or fourth quarter of 2013 following delivery of the machines (the remaining part is already included in the first phase of investment below). The mentioned machinery consists of machinery needed for the new assembly workshop as well as for replacing currently used machines.

The investments in 2013 until the date of this Prospectus also include RMB 4.2 mln (EUR 0.5m) spent for R&D, which include mainly acquisition of components and materials as well as cost of external design services. All of the abovementioned investments will be financed with the Group's own funds. All amounts in EUR relating to investments made in 2013 were converted for presentation purposes only using exchange rate as at 30 June 2013, which is EUR 1.00 = RMB 8.0536.

When planning its investments, the Group takes into consideration a number of factors that affect the demand for its products. In the Group's opinion, the key drivers are:

Demand growth trends on the daily-use hygiene product market - these trends are mostly driven by demography. The main drivers can be divided into different categories, such as: demography (for example positive population growth dynamics and partial abandonment of one-child policy in China enlarge potential consumer base for baby diapers; increasing number of elderly people and growing life expectancy positively affects market for adults diapers), growing disposable income, change of habits which results in increase hygiene awareness and transition from re-usable diapers into usable and finally increasing urbanization rate. (please refer to the "Industry Overview" section for more details). Based on the Group's experience, demand growth on the daily-use hygiene product market has resulted in the past in increased demand for the Group's machinery;

Machines' life cycle - the average machine life cycle is 5 years. The life cycle depends on a change in the design of end-products rather than technical limitations, therefore changes in end-use product consumer preferences directly affect the machinery life cycle and in turn the demand for new machines.

Entering new markets – recently the Group has been developing its presence on international markets, in particular developing markets, significantly extending customer base and geographical reach.

The Group believes that its past production and sales increases owed most to the Group's ability to benefit from the above factors. However, to continue to benefit from the above factors the Group needs to ensure sufficient production capacity first.

The Group aims to make the following investments:

Investment	**1st Phase**		**2nd Phase**		**3rd Phase**		**Total**	
Period	**Q3 – Q4 2013**		**Q4 2013-Q2 2014**		**Q3 2014-4Q 2015**		**2013-2015**	
	EURm	**RMBm**	**EURm**	**RMBm**	**EURm**	**RMBm**	**EURm**	**RMBm**
Machinery	4.3	35	6.2	50	23.5	190	26.6	275

Plant	-	-	6.2	50	4.3	35	10.5	85
Improvement	0.9	8	0.2	2	0.2	2	1.4	12
Land	-	-	9.3	75	6.2	50	15.5	125
R&D	-	-	2.6	21	3.6	29	6.2	50
Total	5.2	43	24.5	198	37.8	306	60.2	547
Funds sources	Retained Earnings		IPO Proceeds + Retained Earnings		Retained Earnings + Debt			

Source: the Company

The information in the above table is included in RMB and EUR. The investments will be made in RMB and the Group's investment plan is expressed in RMB. The numbers are presented in EUR for presentation purposes only and are converted from the RMB numbers using exchange rate as at 30 June 2013, which is EUR 1.00 = RMB 8.0536.

The Group's investment plan aims to significantly increase production capacity in the upcoming years. Previous significant investments were made in 2007 (opening a new plant), as a result of which the Group tripled its production capacity. Currently, the Group has almost reached its production capacity limits and must carry out further significant investments to increase production capacity in order to allow for the further growth.

Most importantly, the Group needs to invest in land and plant, which will lead to a surge in capacity as the assembly area is one of the key capacity limitations. Although it is highly probable that the Group will not be able to utilise all the additional capacity immediately after opening the new plant, the Group believes that it is not economically justified to build a facility that serves its needs only for one or two years. In the further phases of the investment plan (especially the third phase), the Group intends to equip the previously constructed workshops with machinery, additionally increasing available capacity.

Currently, the Group has been increasing its presence on new markets (e.g. India). Some of these markets have growth potential which is higher than China, as the current saturation is at levels seen in China several years ago (please refer to tables illustrating regional baby diaper per capita consumption per year in 2011 and regional per capita consumption of feminine hygiene products in the "*Industry Overview*" section).

Given this, significant capacity potential (readiness to respond to market needs) is necessary to be able to seize the potential opportunity offered by the demand on those markets, which underlies the investment plan.

The Group believes that this will enable the Group to respond to customers' growing demands and act in a timely manner to their orders.

The Group split its investment plan into three phases. The first phase will be implemented in the third and fourth quarter 2013 and involve improvements to the building located on the Group's premises (currently leased out to Quanzhou Tianjiao Women and Children's Health Supplies Co., Ltd with the lease expiring by the end of 2013, however the Group is able to conduct improvements by the end of 2013). The Group plans to adapt this building mainly for an assembly workshop. Purchase of new machinery in the first phase consists of machinery needed for the new assembly workshop as well as for replacing currently used machines.

The second and third phases include acquiring two new plots of land and establishing two new plants with an area of app. 15,000 m2 and 10,000 m2 respectively, thereon (both plants consisting of assembly and mechanical workshops).

The second and third phases also include acquiring machinery, mainly for mechanical workshop producing parts (including CNC) out of raw materials.

The second and third phases include improvement, i.e. restoration and renovation of the existing plants as well as R&D investments including acquisition of testing equipment and software as well as materials for testing and external services for design.

The Group intends to rapidly increase its production capacity to be able to respond to potential demand from both domestic and international markets. The Group estimates that first phase will increase production capacity by around 50%, second will add an additional ca. 75% (comparing to production capacity after first phase) and as a result of the third investment phase, the capacity will increase by approx. 80-100% on top of the previous increases. Third phase of investment shall be completed by 4Q2015, however, full increase of 80% - 100% shall be visible by the end of 2016 due to the investment process (e.g. timing of delivery of production machines).

Tangible and intangible assets

The tangible and intangible assets held by the Group include land use rights, ownership on buildings, production facilities, vehicles, trademarks and patents (See "*Intellectual Property*").

Real estate property

The table below presents the Group's leasehold land. All leasehold land belongs to Quanzhou Peixin and is pledged.

No.	Location	Expiry date of tenure	Land area (m^2)
1.	Fuqiao Houkeng Village, Licheng District, Quanzhou City, Fujian Province, the PRC	2054-12-31	1,500
2.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2057-06-28	30,287
3.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2057-06-28	22,882
4.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	2053-07-25	786

The table below presents the Group's buildings and plants. All buildings and plants belong to Quanzhou Peixin.

No.	Location	Description	Gross area (m^2)
1.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Dormitory (pledged)	3,759
2.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop (pledged)	16,876
3.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Office building (pledged)	4,554

4.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	1,120
5.	Fuqiao Houkeng Village, Licheng District, Quanzhou City, Fujian Province, the PRC	Leased out (pledged)	3,202*
6.	Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Leased out	4,045

** Including 1500 m^2 floor area for which the Group is in the process of acquiring ownership certificate.*

Source: the Company

Rents

Quanzhou Peixin is a party to a lease agreement under which it leased to Mu Fanbing plot No. 5 described in the table above. The plot has been leased for a specified period until 31 December 2015. According to the agreement, rent payments are due twice a year. The rent for one year is RMB 307,356. If Mu Fanbing does not pay the rent which is due for more than a month, the lessor will be entitled to claim back the leased property.

Quanzhou Peixin is also a party to a lease agreement under which it leased to Quanzhou Tianjiao Women and Children's Health Supplies Co., Ltd plot No. 6 described in the table above. The plot has been leased for a specified period until 31 December 2013. The rent for one year is RMB 387,072. According to the agreement, rent payments are due twice a year. If Quanzhou Tianjiao Women and Children's Health Supplies Co., Ltd does not pay the rent which is due for more than a month, the lessor will be entitled to claim back the leased property.

Material agreements

Loans

As at the date of the Prospectus, Fujian Peixin has four loans for a total amount of RMB 28,550,000 to be repaid to CCB at 6% per year interest rate. The purpose of all loans is the financing of daily production and operation turnover. The loan agreements provide that a prior written notice shall be delivered to CCB and CCB's consent is required to conduct the following activities before repaying the loan in full: merger and acquisition, division, restructuring, major financing, bankruptcy liquidation and other matters which might influence the repayment of the loan or are detrimental to the interests of CCB. Furthermore, if Fujian Peixin fails to make payment of any principal or interest due under the loan contract, CCB may charge a daily penalty which is 1.5 times the original daily interest for the overdue amount.

The table below presents general information on each particular loan agreement:

Agreement	Date	Principal	Term	Security interests
RMB Working Capital Loan Contract (No.2012 JQFD Zi 108)	5 November 2012	RMB 1,450,000	from 5 November 2012 to 5 November 2013	Guarantee granted under Guarantee Contract with a Ceiling Amount (No. 2012 JQFBGB Zi 28) dated 8 October 2012
				Mortgages of the land use rights and real estates established by Quanzhou Peixin under Mortgage Contract with a Ceiling Amount (No.2010 JQFGD

				Zi 23) dated 12 November 2010
RMB Working Capital Loan Contract (No.2012 JQFD Zi 113)	21 November 2012	RMB 15,400,000	from 21 November 2012 to 21 November 2013	Guarantee granted under a Guarantee Contract with a Ceiling Amount (No. 2012 JQFBGB Zi 28) dated 8 October 2012
RMB Working Capital Loan Contract (No.2012 JQFD Zi 116)	27 November 2012	RMB 5,360,000	from 27 November 2012 to 27 November 2013	Mortgages of the land use rights and real estates established by Quanzhou Peixin under Mortgage Contract with a Ceiling Amount (No.2011 JQFGD Zi 31) dated 11 November 2011
RMB Working Capital Loan Contract (No.2012 JQFD Zi 124)	5 December 2012	RMB 6,340,000	from 5 December 2012 to 5 December 2013	

Guarantees and mortgages

Under the Guarantee Contract with a Ceiling Amount (No. 2012 JQFBGB Zi 28) Mr Qiulin Xie provides a joint and several guarantee to secure the loans with a ceiling amount of RMB 78,000,000.00 incurred by Fujian Peixin from CCB from 8 October 2012 to 8 October 2015. The scope of the guarantee covers all debts under the main contracts, i.e. the RMB Working Capital Loan Contracts, including but not limited to principal, interest, liquidated damages, compensation, other payment payable to CCB, and expenses made by CCB to exercise its credit and security rights. The term of the guarantee is two years from the expiry of the repayment term of each loan. If the secured loans are due and Fujian Peixin fails to make full repayment or breaches the loan contract, the guarantor assumes the guarantee liability.

The Mortgage Contracts with a Ceiling Amount (No. 2011 JQFGD Zi 31 and No. 2010 JQFGD Zi 23) have similar provisions. The scope of the guarantee covers all debts under the main contracts, i.e., the RMB Working Capital Loan Contracts, including but not limited to principal, interest, liquidated damages, compensation, other payment payable to CCB, and expenses made by CCB to exercise its credit and security rights. During the term of the mortgage, the mortgagor may not sell, transfer the mortgaged property or assign the mortgaged property in any other way without the written consent of CCB. Furthermore, the Company may not lease, re-mortgage the mortgaged property or deal with the mortgaged property in any other improper way without the written consent of CCB.

Insurance

The Group maintains insurance coverage on its machinery, certain other equipment and raw materials as well as motor vehicles.

The Group believes that it has purchased adequate and sufficient insurance. However, given the nature of the Group’s operations and business, the Group’s assets and revenue may exceed the amount of our insurance coverage. Consistent with what the Group believes to be customary practice in China, the Group does not carry any business interruption or environmental liability insurance nor holds any insurance covering its buildings. The Group has not encountered any material operational problems, such as breakdowns, failures or substandard performance of equipment, improper installation or operation of equipment and industrial accidents, nor have we encountered any material interruption by fire, power failure and power shortages, hardware and software failure, floods, computer viruses and other events beyond our control in the period covered by the Consolidated Financial Statement.

Legal proceedings

According to the Company, there have been no governmental, legal or arbitration proceedings that may have, or have had during the twelve months preceding the date of this document, a significant effect on the Company's or the Group's financial position or profitability and, as far as the Company is aware, there are no such proceedings pending or threatened.

Employees

As of 30 June 2013, the Group had 456 full time employees, 454 of whom were employed by Fujian Peixin. Among the 456 employees, two are employed by Quanzhou Peixin, one is the director, and the other is the supervisor. As of the date of this Prospectus, the Company employed no employees.

The following table gives the number of employees of the Group as at the end of 2010, 2011 and 2012 and as at 30 June 2013.

	31 December 2010	**31 December 2011**	**31 December 2012**	**30 June 2013**
Management and Administration*.....	40	34	35	35
Production..	406	399	376	375
R&D	25	24	23	23
Sales...	25	24	23	23
Total...	495	482	457	**456**

**includes Management Board, HR, Accounting, Purchasing, General Administration*

Source: the Company

General overview of labour terms

All employees work for the Group under employment contracts. Under the standard employment contract, the employee's working time is eight hours a day, five days a week. In practice, employees usually work overtime six days a week which, taking into account holiday and other leaves, translates into an average five-day working week. Non-administrative employees work in a three-shift work system.

The employment contracts are typically entered into for a fixed period of three years for regular employees.

In terms of salary, for production workers it comprises two components – basic salary and overtime pay and performance bonus.

Remuneration

The remuneration of employees in Fujian Peixin consists of a basic salary, overtime allowances and bonuses. Additionally, the company's salesmen are entitled to receive sales commissions.

Trade union

There is one trade union operating in the Group which comprises 43 members working in the Group's plant(s), 13 of whom are in the governing committee. The committee includes 4 functional departments: (i) the general committee; (ii) the fund inspection committee; (iii) the female worker committee; and (iv) the labour dispute mediation committee.

The trade union's rights and responsibilities include various measures aimed at protecting the employees and intermediating between the employees and employer, including for example: the right to opine on fines imposed on employees, assistance for the employees whose rights and interests are infringed by the employer, applying for arbitration of labour disputes, the right to receive advance notification of any unilateral termination of a contract with an employee, the right to file motions with the employer concerning personal safety of employees, investigating infringements of the employees' rights, suggesting resolutions of conflicts between employees and employer and mediating in such conflicts.

Environmental protection

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.

Regulatory issues

The Group holds all licences and permits required to conduct its business activity in the PRC. In particular, these include: business licence, foreign exchange registration, foreign financial registration certificate, high and new tech enterprise certificate, organisation code certificate, permit to open a bank account, registration certificate of consignors and consignees of imports and exports, statistical card, tax registration certificate and social insurance registration certificate.

These permits and licences are standard requirements under PRC law to conduct business in the PRC. The Group does not operate in a specifically regulated sector, and apart from the above, no special licensing or permit regime applies to the Group.

GENERAL INFORMATION ON THE COMPANY

Basic information

Peixin International Group N.V. is a public limited liability company (*naamloze vennootschap*) incorporated and operating under the laws of the Netherlands and is registered with the Trade Registry of the Chamber of Commerce under number 58288449. The Company was incorporated on 2 July 2013. The Company's corporate seat is in Amsterdam, the Netherlands. Details regarding the Company's corporate seat, registered office, telephone number and internet website are as follows:

Corporate seat:	Amsterdam
Registered office:	Prins Bernhardplein 200, 1097 JB Amsterdam
Telephone number:	(+31) (0) 20 52 14 777
Website:	www.peixin.com

Share capital

The Company has an authorised share capital of EUR 50,000,000 consisting of 50,000,000 ordinary shares with a nominal value of EUR 1 each. The Company currently has an issued share capital of EUR 12,000,000, consisting of 12,000,000 shares with a nominal value of EUR 1 each, all of which are fully paid up.

Object of activities

The Company is a holding company conducting its business through its Subsidiaries. According to the Articles of Association, the Company's corporate objects are:

(a) to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;

(b) to finance businesses and companies;

(c) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;

(d) to render advice and services to businesses and companies with which the Company forms a group and to third parties;

(e) to grant guarantees, to bind the Company and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties;

(f) to acquire, alienate, manage and exploit registered property and items of property in general;

(g) to trade in currencies, securities and items of property in general;

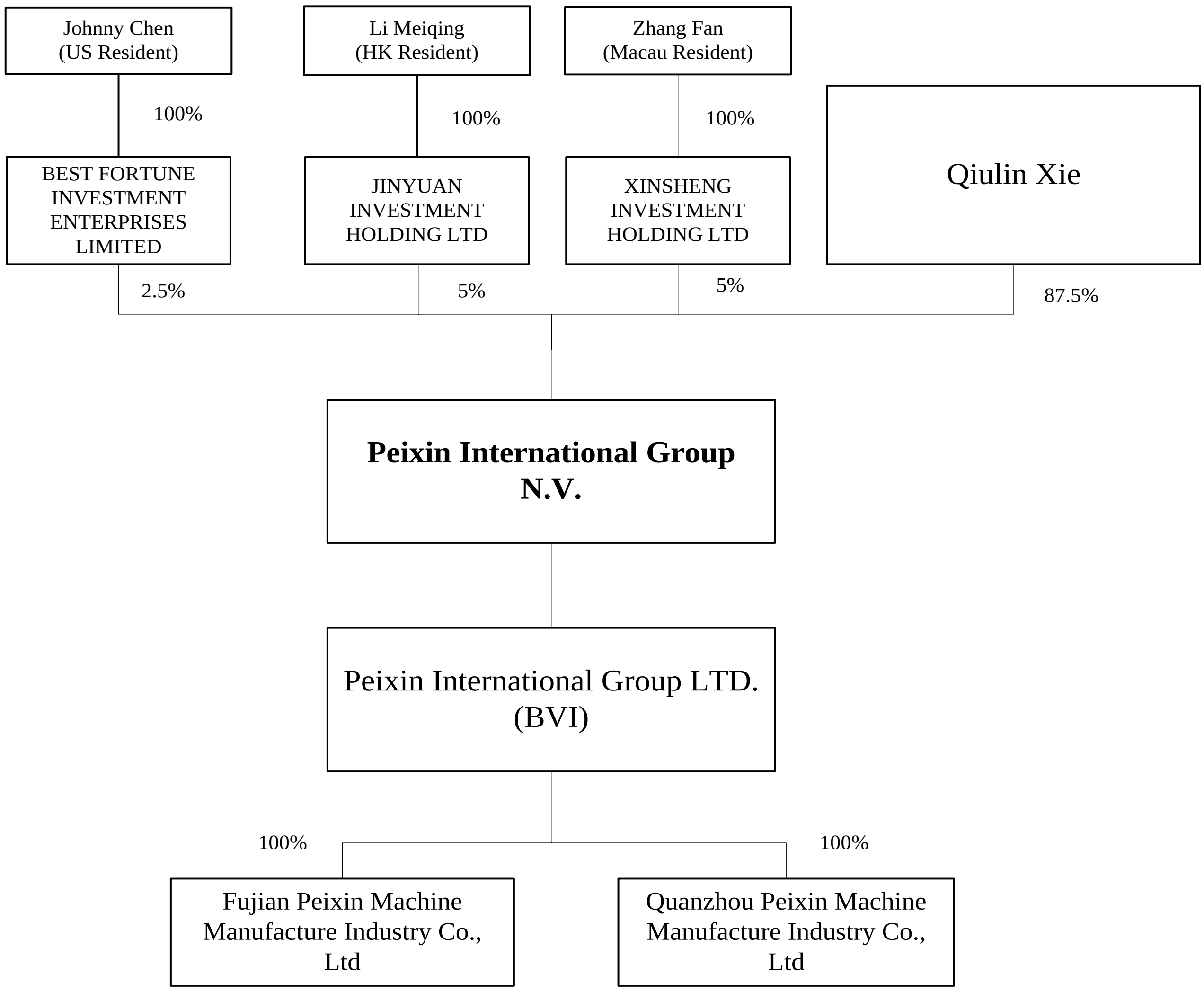
(h) to develop and trade in patents, trade marks, licenses, know-how, copyrights, data base rights and other intellectual property rights;

(i) to perform any and all activities of an industrial, financial or commercial nature; and to do all that is connected therewith or may be conducive thereto.

The Group

The Principal Shareholder of the Company is Mr Qiulin Xie. The Company is the sole shareholder of Peixin International BVI, a limited liability company incorporated under laws of the British Virgin Islands. Peixin International Group Ltd. is a sole shareholder of two subsidiaries: Fujian Peixin, the operation entity which manufactures and sells the Group products and Quanzhou Peixin with no business activity. Both Fujian Peixin and Quanzhou Peixin are limited liability companies formed under PRC laws with a status of wholly foreign owned enterprises.

The current structure of the Group is shown in the chart below:



The Company's Subsidiaries and Associates

Peixin International BVI

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

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

Fujian Peixin

Fujian Peixin Machine Manufacture Industry Co., Ltd is a limited liability company incorporated on 8 November 2006 under PRC laws and is registered with Quanzhou AIC under registration number 350500400005701. Its business address is Shuangyang Overseas Chinese Economic Development Zone, Luojiang District, Quanzhou, China. The business scope of Fujian Peixin includes manufacturing and selling of precision machinery and equipment used for the production of various sanitary products. Fuijan Peixin registered capital amounts to HKD 28,800,000 (paid-up in full).

Quanzhou Peixin

Quanzhou Peixin Machine Manufacture Industry Co., Ltd is a limited liability company incorporated on 28 November 1994 under PRC laws and is registered with Quanzhou AIC under registration number 350500400048788. Its business address is Houkeng Industrial Area, Fuqiao Town, Quanzhou, China. Quanzhou Peixin has no operational activity, the company however possesses certain land use rights, real estates and trademarks. Quanzhou Peixin registered capital amounts to RMB 5,800,000 (paid up in full).

MANAGEMENT BOARD, SUPERVISORY BOARD AND CORPORATE GOVERNANCE

Introduction

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 (*raad van bestuur*) 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 (*raad van commissarissen*) supervises and advises the Management Board. In addition, Supervisory Board approval is required for certain important decisions of the Management Board, as more fully described below.

Management Board

Powers, Composition and Function

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

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

Appointment, Term Length and Dismissal

The Management Board members are appointed by the General Meeting. If the Management Board consists of two or more members, then any two members of the management board, acting jointly, are authorised to represent the Company. The number of Management Board members is determined by the Supervisory Board after consultation with the Management Board.

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

At the General Meeting, votes to appoint a Management Board member can only be cast for candidates named in the agenda of the meeting or explanatory notes to it. If none of the candidates nominated by the Supervisory Board is appointed, the Supervisory Board retains the right to make a new nomination at the next meeting. A nomination or recommendation to appoint a Management Board member must state the candidate’s age and the positions he holds or has held, insofar as these are relevant for the performance of the duties of a Management Board member. The nomination or recommendation must state the reasons on which they are based. The Supervisory Board appoints a chairman of the Management Board and, if deemed necessary, a vice-chairman, from among the Management Board members.

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

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

Decision-Making and Approvals

The Management Board is authorised to represent the Company. Management Board resolutions may at all times be adopted in writing, provided the proposal concerned is submitted to all members of the Management Board then in office and none of them objects to this manner of adoption.

The Management Board requires the approval of the General Meeting for resolutions entailing a significant change in the identity or character of the Company or its business, in any case concerning:

- the transfer of (nearly) the entire business of the Company to a third party;
- entering into or terminating a long term cooperation between the Company or a subsidiary (*dochtermaatschappij*) and another legal entity or company or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of fundamental importance for the Company; or
- acquiring or disposing of a participation in the capital of a company if the value of such participation is at least one third of the sum of the assets of the Company according to its balance sheet and explanatory notes or, if the Company prepares a consolidated balance sheet, its consolidated balance sheet and explanatory notes according to the last adopted annual accounts of the Company, by the Company or a subsidiary.

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

- entering into an agreement with a related entity with a value exceeding EUR 500,000. This approval is not required for resolutions to enter into an agreement with a subsidiary (*dochtermaatschappij*) of which the legal title to a majority of the shares is held by the Company and which are on general market terms within the operational business of the Company;
- cooperation in the issue of depositary receipts for shares;
- the acquisition of a participating interest by it or by a dependent company in the capital of another company, the value of which equals at least the sum of one-quarter of the issued capital and the reserves of the participating company, as shown in its balance sheet with explanatory notes and any significant increase or reduction of such a participating interest;
- a proposal to dissolve (*ontbinding*) the Company;
- an application for bankruptcy (*faillissement*) and for suspension of payments (*surséance van betaling*);

- the termination of the employment of a considerable number of employees of the Company or of a dependent company at the same time or within a short time-span;
- a significant change in the working conditions of a considerable number of employees of the Company or of a dependent company; and
- a proposal to reduce the issued capital of the Company.

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

Members of the Management Board

The Management Board is composed of the following members:

Name	Age	Position	Member since	Term	End of term
Qiulin Xie	53	Chairman	2 July 2013	4 years	the date of the annual General Meeting in 2017
Hongyan Dai	32	Chief Financial Officer	9 September 2013	3 years	the date of the annual General Meeting in 2016
Kaida Xie	27	Sales and Marketing Manager	9 September 2013	2 years	the date of the annual General Meeting in 2015
Bas Xue	37	Administrative Manager	2 July 2013	1 year	the date of the annual General Meeting in 2014

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

Mr Qiulin Xie is a Chinese citizen. He has over 30 years of experience in the machinery industry. He has been Chairman of Peixin International since June 2004 and Chairman of Quanzhou Peixin Machinery Making Industrial Co., Ltd since 1994. From 1979 to 1994 Mr Qiulin Xie worked as an engineer at Quanzhou Mantanghong Agriculture Machine Company. He began his professional career in 1976 as a special technician in Quanzhou Houkeng Jute Manufacturing Company. Mr Qiulin Xie graduated in 1989 from Quanzhou Huaqiao University of Management and received a diploma in Engineering in 1987 from the Quanzhou Technology School. The business address of Mr Qiulin Xie is Fujian Peixin Machinery Making Industrial Co., Ltd, Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian.

Ms Hongyan Dai is a Chinese citizen. She has served as Chief Financial Officer of Fujian Peixin Machinery Making Industrial Co. Ltd since September 2012. Before joining the Group, she held positions in the financial industry where she successfully assisted enterprises to go public and obtained financing on the Toronto Stock Exchange and NYSE when she worked at Canaccord Geninuty Corporation and Wesbridge Capital Corporation as an analyst from 2007 to 2011. Ms Hongyan Dai received a Master degree in Engineering from the University of Waterloo in Canada in 2006 and a Bachelor degree in Information Systems from the Concordia University in Canada in 2004. The business address of Ms Hongyan Dai is Fujian Peixin Machinery Making Industrial Co., Ltd, Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian.

Mr Kaida Xie is a Canadian citizen. He has been Sales and Marketing Manager in Fuijan Peixin Machinery Making Industrial Co. Ltd since September 2008. From 2007 to 2008 he served as an assistant to the Sales and

Marketing Manager in Fujian Peixin. Mr Kaida Xie began his career at Fuijan Peixin in 2002 as a salesman and worked at this position until 2005. In 2007 Mr Kaida Xie received a Bachelor degree in Business Management from Langara College in Canada. The business address of Mr Kaida Xie is Fujian Peixin Machinery Making Industrial Co., Ltd Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian.

Mr Bas Xue is a Dutch citizen. He has 13 years' experience in international investment and trading gained during his work as all-round manager in Dutch companies. Since 2003 he has been General Manager at BCT Holland. From 2010 to 2011 he worked as General Manager for Maasland Europe. Prior to this, for almost ten years he was deputy General Manager at Kesterna B.V. In 1997 Mr Bas Xue received a Bachelor degree and in 1999 a Master degree in Mathematics from Utrecht University. The business address of Mr Bas Xue is Voorstraat 364, 3311 CX Dordrecht, the Netherlands.

Other Information Relating to Members of the Management Board

At the date of this Prospectus, no member of the Management Board has, in the previous five years: (i) been convicted of any offences relating to fraud; (ii) held an executive function at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

Mr Kaida Xie is son of Mr Qiulin Xie. No member of the Management Board has a conflict of interest (actual or potential) between his duties to the Company and his private interests and/or other duties.

Supervisory Board

Powers, Composition and Function

The Supervisory Board supervises the Management Board and the general course of affairs of the Company and the business connected with it. The Supervisory Board assists the Management Board by giving advice. In performing their duties, the Supervisory Board members must act in accordance with the interests of the Company and its business.

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

The Supervisory Board elects a chairman and may elect a vice-chairman from among its members. If the chairman and the vice-chairman are absent or prevented from attending a meeting, one of the other Supervisory Board members, to be designated by the Supervisory Board, acts as chairman.

Appointment, Term Length and Dismissal

The Supervisory Board members are appointed by the General Meeting. The Supervisory Board nominate one or more candidates for each vacant seat. A resolution of the General Meeting to appoint a Supervisory Board member other than in accordance with a nomination by the Supervisory Board requires a majority of the votes cast representing at least one-third of the Company's issued capital. If a proposal to appoint a person not nominated by the Supervisory Board is supported by an absolute majority of the votes cast, but this majority does not represent at least one-third of the Company's issued capital, a new meeting can be convened in which the resolution can be adopted by an absolute majority of the votes cast, irrespective of the part of the Company's issued capital represented. At the General Meeting, votes in respect of the appointment of a Supervisory Board member can only be cast for candidates named in the agenda of the meeting or the explanatory notes to it. If none of the candidates nominated by the Supervisory Board is appointed, the Supervisory Board retains the right to make a new nomination to be voted upon at the next meeting. A nomination or recommendation to appoint a Supervisory Board member must state the candidate's age, his profession, the number of Shares he holds and the positions he holds or has held, insofar as these are relevant for the performance of the duties of a Supervisory Board member. Furthermore, the names of the legal entities of which he is also a member of their supervisory boards must be indicated; if those include legal entities which belong to the same group, a reference to that group is sufficient. The nomination or recommendation must state the reasons on which it is based.

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

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

Decision-Making and Approvals

The Supervisory Board meets whenever its chairman or at least two of its members deem it desirable. The chairman or his substitute presides over the meeting. The Management Board members attend the meetings unless the Supervisory Board expresses its wish to meet separately. At the meeting of the Supervisory Board, resolutions are adopted by an absolute majority of the votes cast and the Supervisory Board may only pass valid resolutions if at least half of the Supervisory Board members are present or represented. In the event of a tie in voting the chairman has a deciding vote, but only if more than two Supervisory Board members are present. The Supervisory Board may adopt a resolution by written consent without a meeting, provided that the proposed resolution has been submitted to all Supervisory Board members entitled to vote, none of them opposes this manner of adopting a resolution and the majority of such members have voted in favour of the proposed resolution. A resolution of the Supervisory Board can be evidenced by a document setting forth such resolution and signed by the chairman or, if the chairman is absent or prevented from attending the meeting or if there is no chairman, by one of the other Supervisory Board members.

Members of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Age	Position	Independent	Member since	Term	End of term
Ya Li	33	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	52	Member	Yes	10 September 2013	3 years	the date of the annual

Lucien Tjon						General Meeting in 2016
Jarosław Dariusz Dąbrowski	48	Member	Yes	10 September 2013	2 years	the date of the annual General Meeting in 2015
Rongfu Wu	27	Member	No	10 September 2013	1 year	the date of the annual General Meeting in 2014

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

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

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

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

Mr Liem Tsong Lucien Tjon is a Dutch citizen. Apart from serving as the Supervisory Board member he has been the owner of Vof Administratiekantoor Tjon since 1994 and a shareholder and director at Xin Yang International B.V. since 1996. Formerly Mr Tjon has held the position of financial assistant at Polanen Theater, Amsterdam and financial consultant at Van der Hoek Accountancy & Tax. The business address of Mr Tjon is Vof Administratiekantoor Tjon, Geledersekade 410A, 1011 EJ, Amsterdam.

Mr Rongfu Wu is a Chinese citizen. He has been engineer at Fuijan Peixin since May 2009. Before that, from July 2007 he was employed as technican at Hengan Group-Hengan China Paper Manufacturing Co. Mr Rongfu Wu graduated from Haerbin Technolgy University, Mechanical Engineering in June 2007, where he received Bachelor degree. The business address of Mr Rongfu Wu is Fujian Peixin Machinery Making Industrial Co., Ltd, Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian.

Other Information Relating to Members of the Supervisory Board

At the date of this Prospectus, no member of the Supervisory Board has, in the previous five years: (i) been convicted of any offences relating to fraud; (ii) held an executive function at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

No member of the Supervisory Board has a conflict of interest (actual or potential) between his duties to the Company and his private interests and/or other duties.

Committees of the Supervisory Board

The Supervisory Board has an Audit Committee and a Remuneration Committee.

Audit committee

The role and responsibilities of the Audit Committee, as well as the composition and the manner in which it discharges its duties, are set out in the terms of reference of the Audit Committee, prepared in accordance with the By-laws of the Supervisory Board.

The Audit Committee is a standing committee of the Supervisory Board. Under its terms of reference, the duties of the Audit Committee include the supervision of the Management Board with respect to the operation of the internal risk management and control systems, the disclosure of financial information by the Company, compliance with the recommendations and observations of the external auditor, the policy of the Company on tax planning, the financing of the Company, the application of information and communication technology, and relations with the external auditor (including the independence and remuneration of the external auditor, and any non-audit services carried out by the external auditor). The Audit Committee maintains regular contact with, and supervises, the external auditor, and advises the Supervisory Board on the nomination of an external auditor for appointment by the General Meeting. The Audit Committee also prepares meetings of the Supervisory Board with the Management Board at which the annual report, annual accounts, half-yearly and quarterly figures of the Company are to be discussed. Under its terms of reference, the Audit Committee must meet with the external auditor of the Company without any members of the Management Board being present.

Under its terms of reference, the Audit Committee consists of three members, all of whom are members of the Supervisory Board. At least one of its members must be a financial expert, in the sense that s/he has relevant knowledge and experience of financial administration and accounting for listed companies or other large companies. All members of the Audit Committee must be independent (within the meaning set out in the By-laws of the Supervisory Board), with the exception of one member. Neither the chairman of the Supervisory Board nor any former member of the Management Board may chair the Audit Committee. The current members of the Audit Committee are Liem Tsong Lucien Tjon, Ming Shen and Ya Li.

Under its terms of reference, the Audit Committee meets as often as is necessary for its proper functioning, but in any event no less than four times per year.

Remuneration Committee

The role and responsibilities of the Remuneration Committee, as well as the composition and the manner in which it discharges its duties, are set out in the terms of reference of the Remuneration Committee, prepared in accordance with the By-laws of the Supervisory Board.

The Remuneration Committee is a standing committee of the Supervisory Board. Under its terms of reference, the duties of the Remuneration Committee include the preparation of proposals for the Supervisory Board concerning the remuneration policy for the members of the Management Board, the remuneration of the individual members of the Management Board within the framework of that remuneration policy (as adopted by the General Meeting), and the making of proposals to the Supervisory Board regarding the remuneration of individual members of the Supervisory Board, which are submitted to the General Meeting for approval. The Remuneration Committee is also charged with the preparation of the remuneration report on the remuneration of the Management Board.

Under its terms of reference, the Remuneration Committee consists of three members, all of whom are members of the Supervisory Board. All members of the Remuneration Committee must be independent (within the meaning set out in the By-laws of the Supervisory Board), with the exception of one member. No more than one member of the Remuneration Committee may be a member of the management board of another Dutch listed company. Neither the chairman of the Supervisory Board, nor any former member of the Management Board, nor any member that is also a member of the management board of another Dutch listed company, may chair the Remuneration Committee. The current members of the Remuneration Committee are Jarosław Dariusz Dąbrowski, Ming Shen and Ya Li.

Under its terms of reference, the Remuneration Committee meets as often as is necessary for its proper functioning, but in any event no less than once per year.

Remuneration

Members of the Management Board Members

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

As the Company was incorporated on 2 July 2013, no remuneration was paid in 2012 from the Company to the members of the Management Board. The table below shows the remuneration received by the members of the Management Board from Fuijan Peixin during the year ended 31 December 2012. Remuneration in kind and other benefits includes: (i) car and telecommunication (over 90%) and (ii) insurance (less than 10%).

Name	Remuneration	Remuneration in kind and other benefits	Total remuneration
Qiulin Xie	RMB 220,000	RMB 100,000	RMB 320,000
Hongyan Dai	RMB 90,000	RMB 100,000	RMB 190,000
Kaida Xie	RMB 78,000	RMB 74,000	RMB 152,000
Bas Xue	0	0	0
Total:	RMB 388,000	RMB 274,000	RMB 662,000

Members of the Supervisory Board

The remuneration of each Supervisory Board member is fixed by the General Meeting and is not made dependent on the profit of the Company.

As the Company was incorporated on 2 July 2013, no remuneration was paid in 2012 from the Company to the members of the Supervisory Board. The table below shows the remuneration received by the members of the Supervisory Board from Fuijan Peixin during the year ended 31 December 2012. Remuneration in kind and other benefits includes: (i) car and telecommunication (over 90%) and (ii) insurance (less than 10%).

Name	Remuneration	Remuneration in kind and other benefits	Total Remuneration
Ya Li	RMB 120,000	RMB 50,000	RMB 170,000
Ming Shen	0	0	0
Liem Tsong Lucien Tjon	0	0	0
Jarosław Dariusz Dąbrowski	0	0	0
Rongfu Wu	RMB 78,000	RMB 10,000	RMB 88,000
Total	RMB 198,000	RMB 60,000	RMB 258,000

Other Directorships

In addition to their directorships of the Company or the Company's subsidiaries, the directors hold, or have held, the following directorships and are or were members of the following partnerships, within the past five years:

Members of the Management Board	Directorships / Partnerships
Qiulin Xie	
Current positions:	since 2004, Peixin International Group Ltd., Chairman
	since 1994, Quanzhou Peixin Machinery Making Industrial Co., Ltd., Chairman
Hongyan Dai	
Current positions:	since 2012, Fujian Peixin Machine Manufacture Industry Co., LTd., CFO
Kaida Xie	
Current positions:	since 2008, Fujian Peixin Machinery Making Industrial Co. Ltd, Sales and Marketing Manager
Bas Xue	
Current positions:	Since 2003, BCT Holland, General Manager
Past positions:	2010 – 2011, Maasland Europe, General Manager
	1999 – 2008, Kesterna B.V., Deputy General Manager

Members of the Management Board	Directorships / Partnerships
Ya Li	
Current positions:	since 2008, Fujian Peixin Machinery Making Industrial Co., Ltd, Deputy

	Manager and Strategic Manager
Past positions:	2004-2008, Jinjiang Xingmin Financial Consulting Company, General Manager

Ming Shen

Current positions:	since 2010, Weifang Quanxin Chemical Ltd, CFO
Past positions:	2007-2009, Integral Partner Group, Partner

Mr Liem Tsong Lucien Tjon

Current positions:	Xin Yang International B.V., Director

Jarosław Dariusz Dąbrowski

Current positions:	since 2010, Dąbrowski Finance sp. z o.o., CEO
	since 2010, PBP S.A., Member of Supervisory Board
	since 2012, MCI S.A., Member of Supervisory Board
Past positions:	2004-2009, DnB NORD Bank Polska S.A., President of the Board
	2010-2013, Baltic Property Trust, director

Shareholdings and stock options of the Management Board members, the Supervisory Board members and employees

Mr Qulin Xie, member of the Management Board of the Company holds 10,500,000 Shares in the Company (see "Major Shareholders"). Apart from this, none of the Management Board members, the Supervisory Board members and employees of the Group holds any Shares in the Company, or holds any options over Shares in the Company, or have any interest in the Company's capital or have any voting rights at the Company's General Meeting.

Employment Agreements and Severance Agreements

None of the companies from the Group concluded any agreement with any of the members of the Management Board or Supervisory Board providing for any benefits upon termination of employment.

Liability of directors

Members of the Management Board and Supervisory Board may be liable to the Company for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to the Company and third parties for infringement of our articles of association or certain provisions of the Dutch Civil Code (**DCC**). In certain circumstances, they may also incur additional specific civil and criminal liabilities.

Conflicts of Interest

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

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

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

Code of Best Practice for Warsaw Stock Exchange Listed Companies

Because the Company's Shares will be listed on the WSE, the Warsaw Stock Exchange Code of Best Practice will also apply to us to the extent permissible and subject to applicable Dutch law. Compliance with the Warsaw Stock Exchange Code of Best Practice is voluntary. The Company will be required, however, to report and provide reasons for any non-compliance or partial compliance with any rule in our annual reports.

Certain of the Corporate Governance rules provided in the Warsaw Stock Exchange Code of Best Practice can be applied by the Company only to the extent permitted by Dutch law and subject to our corporate structure.

The Company will comply with the Warsaw Stock Exchange Code of Best Practice fully, with the only exceptions arising when the Company is unable to comply due to restrictions imposed by Dutch law. In addition, due to efficiency and cost reasons the Company will not comply with principle IV.10 of the Warsaw Stock Exchange Code of Best Practice, which states that a company should enable its shareholders to participate in a general meeting using means of electronic communication. However, the Company will consider implementing this principle in 2014.

The Dutch Corporate Governance Code

General

On 9 December 2003, a committee commissioned by the Dutch State (*Commissie Tabaksblat*) published the Dutch corporate governance code. Since 1 January 2004, Dutch companies whose shares are listed on a government-recognised stock exchange are obliged to report on compliance with the Dutch Corporate Governance Code in their annual report. If a company deviates from a best practice provision in the Dutch corporate governance code, the reason why must be properly explained in its annual report.

In December 2008, the Dutch corporate governance code was amended on the recommendations of the Dutch Corporate Governance Code Monitoring Committee, following three years of monitoring compliance and application. The amendments came into force on 1 January 2009. Most of the changes, such as the introduction of a requirement that management and supervisory boards have due regard to corporate social responsibility, are already standard practice for the Company.

The Dutch Corporate Governance Code finds its statutory basis in Book 2 of the DCC and applies to the Company as it has its registered office in the Netherlands and its Shares are listed on the WSE. Departures from the best practice provisions of the Dutch Corporate Governance Code.

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

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

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

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

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

d) *a system of monitoring and reporting.*

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

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

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

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

Of the five members of the Supervisory Board, two are not independent.

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

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

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

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

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

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

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

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

MAJOR SHAREHOLDERS

The Principal Shareholder

As at the date of this Prospectus, 87.5 % of the Company's share capital is held by the current CEO Mr Qiulin Xie (the "Principal Shareholder"). The Company's minority shareholders include: (i) Xinsheng Investment Holding Ltd, (ii) Jinyuan Investment Holding Ltd and (iii) Best Fortune Investment Enterprises Limited, investment vehicles established in the British Virgin Islands and controlled by private individuals. The following table indicates our shareholding structure as at the date of this Prospectus. The Company's Principal Shareholder does not have other voting rights than other holders of Shares. The Company is not aware of any party, or any parties acting in concert, that directly or indirectly control the vote at any General Meeting, nor is the Company aware of any arrangement the operation of which may result in a change of control of the Company.

Shareholder	No. of Shares	% in the share capital
Qiulin Xie (Principal Shareholder)	10,500,000	87.5%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	5%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	5%
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)	300,000	2.5%
Total	12,000,000	100%

Source: the Company

Shareholding structure following the Offering

Following the Offering, assuming that the maximum number of the Offer Shares is issued and subscribed by investors other than the existing shareholders, the Company's shareholding structure and dilution of the existing shareholders will look as follows:

Shareholder	No. of Shares	% in the share capital
Qiulin Xie (Principal Shareholder)	10,500,000	65.6%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	3.7%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	600,000	3.7%
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)	300,000	1.8%
Market	4,000,000	25%
Total	16,000,000	100%

Source: the Company

RELATED PARTY TRANSACTIONS

General

This section describes the material transactions between the Company and related parties concluded in the period between the date of the Company's incorporation and the date of this Prospectus.

Related parties to the Company include members of the Management Board and the Supervisory Board including their close family members and companies on which the members of Management Board and the Supervisory Board or their family members may exercise considerable influence or in which they hold a substantial amount of the voting rights. The major shareholders of the Company, including their affiliates are also considered related parties.

There were no related party transactions involving the Company within the period under review. Given that the Company was incorporated on 2 July 2013 this section includes material transactions concluded between the group of Peixin International BVI and its related parties from 1 January 2010 to the date of the Prospectus. The following entities are considered to be related parties to the Group that entered into transactions with the Group within the period under review.

Related party	**Relationship**
Chongqing Sishuang Sanitary Products Co. Ltd ("Chongqing Sishuang")	Associate of Mr Qiulin Xie in which Mr Xie is one of the shareholders
Chongqing Beyou Sanitary Products Co., Ltd. ("Chongqin Beyou")	Associate of Mr Qiulin Xie in which Mr Xie is a director
Mr Qiulin Xie	director of the Company and the Principal Shareholder

Amounts due from related parties

The amounts due from Chongquing Sishuang to the Group resulted from sales of goods, were unsecured, non-interest bearing and fully repaid in 2012:

	31 December		
	2010	**2011**	**2012**
	TEUR	**TEUR**	**TEUR**
Chongqing Sishuang	148	480	-

As at the date of the Prospectus there are no amounts due from related parties.

Sales of goods

	31 December		
	2010	**2011**	**2012**
	TEUR	**TEUR**	**TEUR**
Chongqing Sishuang	1,148	586	-
Chongqing Beyou		-	544
	1,148	586	544

Compensation to director of Peixin International BVI

	31 December			six months ended 30 June
	2010 TEUR	2011 TEUR	2012 TEUR	2013 TEUR
Xie Qiulin				
- Short-term employee benefits	58	65	76	35
- Social welfare	*	*	1	*
	58	65	77	35

** Amount less than EUR 1,000.*

Personal undertaking by director of Peixin International BVI

	31 December			six months ended 30 June
	2010 TEUR	2011 TEUR	2012 TEUR	2013 TEUR
Xie Qiulin	3,433	-	-	3,545

Guarantees and mortgages

Mr Qiulin Xie provided guarantee with a ceiling amount of RMB 1,600,000 to secure a loan in the total amount of RMB 1,230,000. The guarantee was provided to secure loans taken out by Fujian Peixin from Agricultural Bank of China from 3 November 2009 to 2 November 2011.

Mr Qiulin Xie provided guarantee with a ceiling amount of RMB 8,700,000 to secure a loan in the total amount of RMB 6,770,000. The guarantee was provided to secure loans taken out by Fujian Peixin from Agricultural Bank of China from 10 November 2009 to 9 November 2011.

Mr Qiulin Xie and Quanzhou Licheng Yanling Handbag Factory provided a joint and several guarantee with a ceiling amount of RMB 3,900,000 to secure a loan in the total amount of RMB 3,000,000. The guarantee was provided to secure loans taken out by Fujian Peixin from Agricultural Bank of China from 23 December 2009 to 22 December 2010.

Mr Qiulin Xie and Quanzhou Licheng Shiqi Chemical limited provided a joint and several guarantee with a ceiling amount of RMB 2,600,000 to secure a loan in the total amount of RMB 2,000,000. The guarantee was provided to secure loans taken out by Fujian Peixin from Agricultural Bank of China from 23 December 2009 to 22 December 2010.

Mr Qiulin Xie and Mrs Youhong Xie provided a joint and several guarantee with a ceiling amount of RMB 19,000,000 to secure two loans in the total amount of RMB 16,000,000. The guarantee was provided to secure loans taken out by Fujian Peixin from CCB from 19 August 2009 to 19 August 2012.

Mr Qiulin Xie provided guarantee with a ceiling amount of RMB 78,000,000 to secure four loans in the total amount of RMB 28,550,000. The guarantee was provided to secure loans taken out by Fujian Peixin from CCB from 8 October 2012 to 8 October 2015.

Quanzhou Licheng Peixin Light Industry provided mortgage guarantee with a ceiling amount of RMB 11,280,000 to secure one loan in the total amount of RMB 6,770,000. The mortgage guarantee was provided to secure loans taken out by Fujian Peixin from Agricultural Bank of China from 10 November 2009 to 9 November 2011.

DESCRIPTION OF SHARE CAPITAL

Set out below is a summary of relevant information concerning the Shares, the Articles of Association and certain provisions of Dutch law.

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the Articles of Association or with Dutch law, as the case may be. The full text of the Articles of Association is incorporated by reference in this Prospectus and will be available free of charge for 12 months following the date of this Prospectus, in Dutch and in English, at the Company's head office and on the Company's website. In the event of any discrepancy between the Dutch version and the unofficial English translation, the Dutch version prevails.

General

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 and its telephone number is (+31) (0) 20 52 14 777.

The Company operates under Dutch law. The Shares are subject to, and have been created under, Dutch law.

Corporate objects

The Company’s corporate objects are:

(a) to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;

(b) to finance businesses and companies;

(c) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;

(d) to render advice and services to businesses and companies with which the Company forms a group and to third parties;

(e) to grant guarantees, to bind the Company and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties;

(f) to acquire, alienate, manage and exploit registered property and items of property in general;

(g) to trade in currencies, securities and items of property in general;

(h) to develop and trade in patents, trade marks, licenses, know-how, copyrights, data base rights and other intellectual property rights;

(i) to perform any and all activities of an industrial, financial or commercial nature,

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Share capital

The Company's authorised share capital is EUR 50,000,000, comprising 50,000,000 ordinary shares (the "Shares") with a nominal value of EUR 1 each.

As at the date of this Prospectus the Company's issued and outstanding share capital is EUR 12,000,000, consisting of 12,000,000 Shares, all of which are fully paid up.

Form and transfer of Shares

All of the Shares are bearer shares and are traded through the book-entry facilities of the National Deposit of Securities. All issued and outstanding Shares are, and on the Listing Date will be embodied in a single global share certificate, held in a collective deposit by the National Deposit of Securities. Shareholders are and will be entitled to that portion of the global share certificate that corresponds with their shareholding.

Issue of Shares

Shares may be issued pursuant to a resolution of the General Meeting.

The General Meeting may designate to the Management Board the authority to resolve to issue Shares, or to grant rights to subscribe for Shares. This designation may be granted for a maximum period of five years, may be extended from time to time for a maximum of five years, and must specify the aggregate nominal value up to which Shares may be issued by the Management Board. Although the duration of the designation as provided by law may be a maximum of five years, the Company intends to adhere to the good practice of limiting this duration to 18 months. Unless the resolution of the General Meeting by which the designation is made provides otherwise, the designation may only be withdrawn by the General Meeting upon the proposal of the Management Board made with the approval of the Supervisory Board.

A resolution of the Management Board to issue Shares, or to grant rights to subscribe for Shares, requires the approval of the Supervisory Board.

On 9 September 2013, the Company's Shareholders resolved inter alia to authorise the Management Board, subject to the approval of the Supervisory Board: (i) for a period of 18 months, to issue Shares representing up to 10% of the then issued share capital; and (ii) in addition, to issue up to 4,000,000 Shares to facilitate the Offering.

Pre-emption rights

In the event of an issue of Shares, shareholders have a pre-emption right in proportion to the aggregate nominal value of their Shares. Shareholders have no pre-emption right in respect of: (i) the issue of Shares issued against non-cash contribution; or (ii) the issue of Shares to employees of the Group. The General Meeting may resolve to limit or exclude the pre-emption rights, which resolution requires, if less than one-half of the issued share capital is represented at the General Meeting, a majority of at least two-thirds of the votes cast.

The General Meeting may designate the Management Board as competent to limit or exclude the pre-emption rights. This designation may only be granted if the Management Board has also been designated (or is simultaneously designated) as the body authorised to resolve to issue Shares. This designation may be granted for a maximum period of five years, may be extended from time to time for a maximum of five years, and applies only for so long as the designation to resolve to issue Shares is in force. A resolution of the Management Board to restrict or exclude the pre-emption rights is subject to the approval of the Supervisory Board.

The General Meeting or the Management Board, as the case may be, with the approval of the Supervisory Board, may determine the manner in which and the period during which the pre-emption right may be exercised when passing the resolution to issue Shares. A notice of an issue of Shares in respect of which there is a pre-emption right, and the period during which the pre-emption right can be exercised, must be published (i) simultaneously in the State Gazette (*Staatscourant*) and in a nationally distributed daily newspaper, and (ii) in such a manner as the Management Board, subject to the approval of the Supervisory Board, deems fit. The pre-emption right may be exercised during a period of at least two weeks after the day of publication in the State Gazette.

On 9 September 2013, the Company's Shareholders resolved to authorise the Management Board, subject to the approval of the Supervisory Board, for a period of 18 months, (i) to limit or exclude pre-emption rights in connection with the issue of Shares representing up to 10% of the then issued share capital and, (ii) in addition, to limit or exclude pre-emption rights in connection with the issue of the Offer Shares.

Acquisition of own Shares by the Company

The Company may acquire fully paid-up Shares, or depositary receipts for Shares, for no consideration or if: (i) the Company's shareholders' equity less the payment required to make the acquisition does not fall below the sum of called-up and paid-in share capital and any statutory reserves; and (ii) the nominal value of the Shares which the Company acquires, holds or holds as pledgee, or which are held by a subsidiary, does not exceed half of the Company's issued capital.

The acquisition of Shares, or depositary receipts for Shares, by the Company for valuable consideration is permitted only if the General Meeting has authorised the Management Board to do so. This authorisation is valid for a maximum period of 18 months. As part of the authorisation, the General Meeting must specify the number of Shares, or depositary receipts for Shares, that may be acquired, the manner in which they may be acquired and the price range within which they may be acquired. A resolution of the Management Board to acquire Shares, or depositary receipts for Shares, requires the approval of the Supervisory Board. The authorisation of the General Meeting is not required for the acquisition of Shares, or depositary receipts for Shares, for the purposes of transferring them to employees of the Company or another member of its Group under a scheme applicable to such employees, provided that the Shares are admitted to listing and trading on a regulated securities exchange.

The Management Board may resolve, subject to the approval of the Supervisory Board, to dispose of Shares acquired by the Company in its own capital.

Shares held by the Company do not entitle the Company to any distribution in respect of those Shares. Shares in respect of which the Company holds depositary receipts issued therefore do not entitle the Company to any distribution on the underlying Shares. For the computation of the amount of profit to be distributed on each Share, the Shares referred to in the preceding sentence will not be included, unless a usufruct or pledge has been established on such Shares or on depositary receipts issued therefore for the benefit of a person other than the Company. The Company or any of its Group Companies cannot cast votes for Shares belonging to the Company or any of the Group Companies or in respect of which either of them has a right of usufruct or pledge. The pledge and usufructuary of Shares belonging to the Company or a Group Company, respectively, shall also not have voting rights if the usufruct or the pledge was established by the Company or the Group Company, respectively. The Company or a Group Company, respectively, may not vote on a Share in respect of which it holds depositary receipts. When determining to what extent a certain part of the share capital is present or represented or to what extent a majority represents a certain part of the share capital, no account is taken of Shares that are not entitled to voting rights; this applies mutatis mutandis to Shares or depositary receipts held by or for the account of legal entities and companies in which the Company itself has a 50% or more direct or indirect interest.

On 9 September 2013, the Company's Shareholders resolved to authorise the Management Board, subject to the approval of the Supervisory Board, for a period of 18 months, to acquire Shares representing up to 10% of the then issued share capital, against a repurchase price between, on the one hand, the nominal value of the

Shares concerned and, on the other hand, an amount of 110% of the highest price of the Shares on the Warsaw Stock Exchange on any of the 30 banking days preceding the date the repurchase is effected or proposed.

Capital reduction

The General Meeting may resolve to reduce the issued share capital by cancellation of Shares or by reducing the nominal value of Shares by amending the Articles of Association. The resolution to reduce the issued share capital must specify the shares concerned and provisions for the implementation of the resolution must be included.

A resolution to cancel Shares may only concern Shares which are held by the Company, or in respect of which the Company holds the depositary receipts.

Unless the Shareholders concerned agree otherwise, a resolution to reduce the nominal value of Shares without repayment and without release of the obligation to pay up the Shares must be made proportionately on all Shares.

A resolution to reduce the issued share capital requires the approval of the Supervisory Board and a majority of at least two-thirds of the votes cast in the General Meeting if less than one-half of the issued share capital is represented at that meeting.

General Meeting

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

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

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

Proposals of shareholders and other persons entitled to attend the General Meetings will only be included in the agenda if such proposal is made in writing and is received by the chairperson of the Management Board or the chairperson of the Supervisory Board no later than 60 days before the General Meeting, and the shareholders or other persons entitled to attend General Meetings, solely or jointly, hold Shares representing at least 3% of the issued share capital, or with a market value of at least EUR 50 million.

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

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

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

- a termination of the admission to listing and trading of the Shares on a Regulated Stock Exchange;
- an amendment of the Articles of Association; and
- the dissolution of the Company.

Annual accounts

The Company's financial year coincides with the calendar year. Annually, within four months after the end of the previous financial year, the Management Board must prepare the annual accounts and make them generally available for inspection by the Shareholders at the offices of the Company. The annual accounts must be accompanied by an independent auditor's report, the annual report and certain other information required under Dutch law. The annual accounts must be signed by the members of the Management Board and the Supervisory Board, and if a member does not sign the reason for this must be stated.

The annual accounts, independent auditor's report, annual report and other information required under Dutch law must be made available to the Shareholders from the date of the notice convening the annual General Meeting. The annual accounts are adopted by the General Meeting.

Dividends and other distributions

The Company may make distributions to the Shareholders and other persons entitled to distributable profits only to the extent that its equity exceeds the sum of the amount of the paid-in and called up share capital plus the reserves which must be maintained under Dutch law or the Articles of Association.

The Management Board is authorised, subject to the approval of the Supervisory Board, to determine each year which part of any profits will be reserved. Any profits remaining after such reservation will be at the disposal of the General Meeting. The General Meeting may, upon the proposal of the Management Board, such proposal having been approved by the Supervisory Board, resolve that payment of a dividend may be made wholly or partly in Shares.

Subject to Dutch law and the Articles of Association, the Management Board, with the approval of the Supervisory Board, may resolve to distribute an interim dividend to Shareholders.

Any entitlement to a dividend distribution by a holder of Shares expires five years after the date those dividends were released for payment.

See also "Dividends and Dividend Policy".

Amendment of Articles of Association

A resolution to amend the Articles of Association may be taken by the General Meeting, pursuant to a proposal of the Management Board that has been approved by the Supervisory Board, by a majority of eighty per cent (80%) of the votes cast in a meeting where at least fifty per cent (50%) of the issued share capital is present or represented.

Dissolution and liquidation

A resolution to dissolve the Company may be taken by the General Meeting, pursuant to a proposal of the Management Board that has been approved by the Supervisory Board, by a majority of eighty per cent (80%) of the votes cast in a meeting where at least fifty per cent (50%) of the issued share capital is present or represented.

In the event of the dissolution of the Company, the Company will be liquidated in accordance with statutory provisions. During liquidation, the provisions of the Articles of Association will remain in full force as far as possible.

The balance of the Company's assets remaining after all liabilities have been paid will be distributed between the Shareholders pro rata to the aggregate amount of their holdings of Shares.

TERMS OF THE OFFERING

General

Based on this prospectus up to 4,000,000 bearer shares of the nominal value of EUR 1 are being offered. The Offering consists of primary shares only.

The Offering consists of a public offering to: (i) institutional investors in the Republic of Poland (the "Polish Institutional Offering") and (ii) retail investors in the Republic of Poland (the "Retail Offering"). Parallel to the Offering there might be performed limited private placement to International Institutional Investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), in each case in accordance with applicable securities laws. There will be no public offering outside of the Republic of Poland. In particular, there will be no public offering of the Offer Shares in the Netherlands.

This Prospectus has been approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the "AFM") and is the only legally binding document related to this Offering. The Company has requested that the AFM notify the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*) (the "PFSC") that it has approved this Prospectus and furnish the PFSC with a Polish translation of a summary of this Prospectus. Once the PFSC has received such notification and the Polish-language summary of this Prospectus, the Company will be authorised to carry out the Offering in the Republic of Poland.

On 9 September 2013 the General Meeting inter alia designated the Management Board as the corporate body authorised, subject to approval of the Supervisory Board, (i) to launch the Offering and to issue Ordinary Shares in connection with the Offering, (ii) to set the Maximum Offer Price, (iii) to set the Offer Price and the final number of Offer Shares to be offered, and (iv) in connection with the Offering and the issue of the Offer Shares, to exclude the statutory pre-emptive rights of holders of Ordinary Shares. As contemplated by this resolution of the General Meeting, on 10 September 2013 the Management Board, with the approval of the Supervisory Board granted on 13 September 2013, approved the launch of the Offering, the issue of Ordinary Shares in connection with the Offering, and, in connection with the Offering and the issue of the Offer Shares, the exclusion of the statutory pre-emptive rights of holders of Ordinary Shares.

All monetary amounts used in connection with the Offering, particularly, the Offer Price, will be stated in Polish zloty. In particular, the book-building process will be carried out on the basis of subscription prices in Polish zloty.

On 11 September 2013, the Management Board set the Maximum Offer Price at PLN 25 per Offer Share and the maximum number of Offer Shares to be issued at 4,000,000. The Offer Shares may be acquired by the Retail Investors and Institutional Investors. At the date of this Prospectus there is no fixed split of the Offer Shares that will be allocated to each category of investors, however it is expected that Retail Investors will be allocated approximately 20% of the Offer. The Management Board in consultation with the Lead Manager will determine the Offer Price and the final number of Offer Shares to be offered and the final number of the Offer Shares to be offered to Retail Investors. The Offer Price, the final number of Offer Shares to be offered and the final number of the Offer Shares to be offered to Retail Investors will be announced on the Pricing Date on the Company's website at www.peixin.com and the Lead Manager's website at www.dm.pkobp.pl.

According to the best knowledge of the Company the Principal Shareholder and members of the Management Board and the Supervisory Board do not intend to subscribe in the Offering.

Timetable of the Offering

The timetable below lists key dates relating to the Offering. All times and dates referred to in this timetable are based on Warsaw time:

18 September to 25 September 2013	Subscription period for Retail Investors
18 September to 26 September 2013	Book-building process among Institutional Investors
27 September 2013	Announcement of the Offer Price and the final number of Offer Shares and final number of Offer Shares to be offered to Retail Investors
27 September to 1 October 2013	Subscription period for Institutional Investors
No later than 2 October 2013	Allocation of the Offer Shares among investors and issuance of the Offer Shares (Allotment Date)
No later than one business day prior to commencement of trading of the Listing Shares	Delivery of the Offer Shares to Investors and closing of the Offering
On or about 10 October 2013	Commencement of trading of the Listing Shares on the WSE (Listing Date)

The Company, in agreement with Lead Manager, may decide to change certain of the above dates. Any such changes will be announced publicly in the same manner as the Prospectus was published. In addition, if such changes constitute a material factor affecting an investor's evaluation of the Offer Shares, the Company would file a supplement to this Prospectus with the AFM. A change to the dates of the Offering will not constitute a withdrawal of the Offer.

The Offer Price

The Offer Price will not be set at higher than the Maximum Offer Price, which is PLN 25.

During a book-building process Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price which they will be willing to pay for the Offer Shares. The Retail Investors will not participate in the book-building process.

The Offer Price, which may be equal to or less than the Maximum Offer Price, will be determined by the Company in consultation with the Lead Manager on the Pricing Date. When determining the Offer Price, the Company and the Lead Manager will look primarily to the subscription declarations submitted by Investors during the book-building process.

The Offer Price will be the same for both Retail Investors and Institutional Investors.

The final number of the Offer Shares to be offered will be determined by the Company in consultation with the Lead Manager.

The Offer Price and the final number of Offer Shares will be announced on 27 September 2013 in the same manner as the Prospectus was published (i.e. will be published on the website of the Company www.peixin.com and of the Lead Manager www.dm.pkobp.pl) and will be filed with the AFM.

Placement of Subscription Orders

General

Subscription orders from the Retail Investors and the Institutional Investors will be accepted only from prospective investors who at the time of placing their orders (before the end of the subscription period for the Retail Investors or the subscription period for Institutional Investors, respectively), will have opened securities accounts with entities of their choice, licensed to provide such services within the territory of the Republic of Poland. Investors may be requested to make a statement that they are acting in line with the selling restrictions contained in the section "*Selling Restrictions*". Together with placing subscription orders, Investors are obliged to submit irrevocable instruction to deposit Offer Shares, that were allotted to the Investor, on the Investor's securities account.

A subscription order for the Offer Shares is unconditional, irrevocable (subject to the withdrawal right provided under applicable provisions of law, refer to section "*Supplements to this Prospectus and Withdrawal of Subscriptions*" below), may not include any reservations and is binding on the person who submitted it until the allotment of the Offer Shares in the Offering or until the date of cancellation of the Offering.

Retail Investors

The Retail Investors will place their subscription orders at the Maximum Offer Price, indicating the number of the Offer Shares they are willing to buy. Subscription orders from the Retail Investors will be accepted at the client service points of Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie as well as via the Internet and telephone facilities in accordance with the terms of the agreements relating to the maintenance of the customers' securities accounts by Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie prior to the end of the subscription period.

The Retail Investors may place multiple subscription orders for Offer Shares, provided the aggregate number of the Offer Shares subscribed by one Retail Investor is not greater than the total number of Offer Shares. Subscription orders for a total number of Offer Shares greater than the maximum number of the Offer Shares shall be considered to be orders for all the Offer Shares. Subscription orders from the Retail Investors should be submitted at the Maximum Offer Price only.

Orders not fully paid for or with improperly completed subscription forms will be invalid. Consequences of submitting an incorrectly or incompletely filled subscription order, subject to provisions of law, will be borne by the Retail Investor submitting such subscription order.

For information on detailed rules governing placing of subscription orders by the Retail Investors, in particular: (i) the documents required if a subscription order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing subscription orders and deposit requests in a form other than the written form (e.g. via Internet), the Retail Investors should contact a customer service point of Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie. A list of customer service points of Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie will be published on the Company's website at www.peixin.com and at the Lead Manager's website at www.dm.pkobp.pl.

Institutional Investors

Once the book-building process has been completed, the Company, in agreement with the Lead Manager, will select the Institutional Investors to whom invitations to submit a subscription order for the Offer Shares will be sent by the Offering Agent and who will be entitled to purchase the number of Offer Shares specified in such invitation and to make payments for the Offer Shares to the account indicated in such invitation.

Subscription orders placed by Institutional Investors who were invited to subscribe for the Offer Shares will be accepted at the offices of the Lead Manager at Puławska Street 15, 02-515 Warsaw, Poland. For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) the possibility of placing orders and deposit instructions in a form other than the written form, the Institutional Investors should contact Lead Manager.

Each Institutional Investor may submit one or several subscription orders for such number of Offer Shares as is indicated in the invitation to place a subscription order addressed to that Institutional Investor. Subscription orders which jointly cover the number of Offer Shares greater than that stated above will be treated as subscription orders for the maximum number of the Offer Shares which may be covered by a subscription order placed by the given Institutional Investor. Institutions which manage assets on behalf of third parties may submit a single collective subscription order in favour of specific customers, attaching to the order the list of such customers containing such data as required in the subscription order form.

Payment for the Offer Shares

Retail Investors

The Retail Investors placing subscription orders for the Offer Shares are required to pay for such Offer Shares at the latest upon the placement of such order. Payment should be made in an amount corresponding to the product of the number of the Offer Shares for which such Retail Investor places his subscription order and the Maximum Offer Price, increased by the brokerage commission, if any, of the entity accepting the subscription order. Payment for the Offer Shares must be made in PLN in accordance with the rules of Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie.

The Offering Agent (Lead Manager) will not charge any brokerage fees for submitting the subscription orders.

The payment towards the Offer Shares subject to the subscription order, if any, will be blocked upon the submission of the subscription order. Payments towards the Offer Shares do not bear any interest. Any previously unsettled receivables may not be credited as payment towards the Offer Shares. A purchase order placed by a Retail Investor which is not fully paid will be invalid.

Institutional Investors

The Institutional Investors are required to pay for their subscription orders by no later than the end of the last day on which subscription orders from the Institutional Investors are accepted, in PLN, for the number of Offer Shares stated in the invitation and in compliance with the instructions stated in the invitation to submit a subscription order.

The Offering Agent (Lead Manager) will not charge any brokerage fees for submitting the subscription orders.

If an order is not paid in full by the Institutional Investor, such order may be at the sole discretion of the Company in consultation with the Lead Manager, deemed validly placed for such number of Offer Shares as corresponds to the amount actually paid by the Institutional Investor, calculated as the product of the number of Offer Shares and the Offer Price.

Allotment of the Offer Shares

General

The Offer Shares will be allotted immediately after completing the acceptance of the subscription orders submitted by the Institutional Investors. Notices of the allotment of the Offer Shares in the Investor’s securities account will be delivered to Investors in accordance with the rules of a given investment firm. The Offering will close on the Allotment Date, upon subscription, allotment and payment for the Offer Shares.

Retail Investors

The Company will not give preferential treatment or discriminate between the Retail Investors in allotment of the Offer Shares. If the total number of Offer Shares allocated to the Retail Investors is equal to or lower than the number of Offer Shares subscribed by Retail Investors, each Retail Investor will be allocated the number of Offer Shares for which the investor subscribed. In the case of an oversubscription, the Offer Shares shall be allotted to the Retail Investors participating in the Offering pro rata to the size of each order placed. Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investors who subscribed for the largest number of the Offer Shares.

Institutional Investors

Upon completion of the book-building process, invitations for submitting subscription orders for the Offer Shares will be sent by the Offering Agent to the Institutional Investors. The Institutional Investors to whom the invitations will be sent will be allotted the Offer Shares in the number as stated in the invitations, provided that a subscription order is duly filed and the relevant number of the Offer Shares paid for.

If the Institutional Investor has only made a partial payment for the Offer Shares or has placed a subscription order for a number of the Offer Shares lower than that specified in the invitation, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has duly subscribed and paid for or a lower number of Offer Shares than for which it has been paid or none, at the sole discretion of the Lead Manager, subject to the consent of the Company.

Settlement of Payments

The Retail Investors will be reimbursed for excess payments if the Offer Price is less than the Maximum Offer Price. In addition, the Retail Investors who have not been allotted any Offer Shares, or whose subscription orders for the Offer Shares were subject to reduction or were invalid, will be reimbursed for their payments. Reimbursements will be made as indicated in the subscription form within 14 days from the date of the allotment of the Offer Shares or the date of the announcement of cancellation of the Offering, respectively.

The Institutional Investors who have not been allotted any Offer Shares or whose subscription orders for Offer Shares were avoided or otherwise not granted will be reimbursed within up to 14 days from the date of the allotment of the Offer Shares or the date of the announcement of cancellation of the Offering respectively, without any interest or damages to an account stated in the given Institutional Investor's subscription order.

All excess payments will be reimbursed without any damages, interest or costs, if any, being incurred by the Retail Investors in relation to placing subscription orders for the Offer Shares.

Reimbursement of cash already paid by investors prior to the delivery of Offer Shares in the situation where the Offering is not successful will be made within 14 days from the date of announcing the aforementioned fact.

Neither of the Company nor the Lead Manager accept responsibility for impossibility of transfer caused by non-delivery or delivery of an incorrect account number.

Cancellation or Suspension of the Offering

The Company, acting in agreement with the Lead Manager, may cancel or suspend the Offering at any time prior to the commencement of the subscription period for the Investors without disclosing any reason for doing so.

The Company may also, acting in agreement with the Lead Manager, cancel or suspend the Offering at any time after the commencement of the subscription period for the Investors up and until the Allotment Date, if it considers there are reasons to believe that proceeding with the Offering is, or has become impracticable or inadvisable. Such reasons may include, but are not limited to: (i) the suspension of, or material limitation in trading in securities generally on the WSE, as well as any other official stock exchange in the US or the EU; (ii) a sudden and material adverse change in the economic or political situation in the Republic of Poland People's Republic of China and/or any other jurisdictions in which the Group operates of worldwide; (iii) a material loss, or interference with the Group's business; (iv) an insufficient, in the opinion of the Company, or the Lead Manager, expected free float of the Shares on the WSE; (v) any change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Company's operations or the operations of its subsidiaries in a materially adverse way or; (vi) an unsatisfactory level of demand for the Offer Shares in the book-building process.

In the event of a cancellation of the Offering, information about the cancellation will be made available to the public in the form of a supplement to the Prospectus. Should the Offering be cancelled, subscriptions for the Offer Shares that have been made will be deemed null and void, and any subscription payments that have been made will be returned without any interest or compensation no later than 14 days after the date of the announcement to the public information of cancellation of the Offering. A return of payment for the Offer Shares without interest or compensation shall also take place when the Offer Shares are not allotted or where there is a reduction of subscription orders placed as set out in this Prospectus or if excess payments are being returned.

Information about the suspension of the Offering will be made available to the public in the form of a supplement to this Prospectus. If the decision to suspend the Offering is made during the Subscription Period, both the subscriptions and payments made shall be deemed valid. Investors, however, will be entitled to withdraw from the Offering for two business days following the publication of a supplement to this Prospectus concerning the suspension of the Offering.

None of the Company and/or the Lead Manager shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including investors) and/or their affiliates in respect to and/or in connection with such suspension or cancellation.

Supplements to this Prospectus and Withdrawal of Subscriptions

In accordance with the relevant regulations in force in the Netherlands and the Republic of Poland applicable to public share offerings and admission of securities to trading on a regulated market and taking into account that the public offering of the Offer Shares will take place only in the Republic of Poland, any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares and which arises or becomes known between the date of approval of this Prospectus and the Listing Date will be communicated through a supplement to this Prospectus. If a supplement is published prior to the Allotment Date, Investors who have placed their subscription orders before publication of the supplement shall have a right to withdraw their subscriptions within two business days from its publication. In such case, and if necessary, the Allotment Date will be adjusted in order to enable the Investors to withdraw their subscriptions. The right to withdraw the subscription made will not apply to those cases when a supplement is made available in connection with errors in the Prospectus of which the Company became aware after the Allotment Date, and in connection with factors which occurred or of which the Company became aware after the Allotment Date.

Delivery and Settlement

All Listing Shares of the Company, including the Offer Shares, will be electronically registered with and will be cleared through the NDS (*Krajowy Depozyt Papierów Wartościowych*), which is the Polish central clearinghouse and depository for securities. All Listing Shares will be in book entry form and, therefore, shareholders may only hold them through their securities accounts opened with and maintained by investment firms and custodians that are NDS participants. Delivery of the Offer Shares to the investment account of a given Investor will be through the book-entry facilities of the NDS in accordance with standard NDS procedures applicable to settlement of IPO's of equity securities. Delivery of the Offer Shares is expected to take place no later 9 October 2013 to Investors' securities accounts upon payment of the total Offer Price indicated in the subscription order for the Offer Shares, barring unforeseen circumstances.

Notices of the recording of the Offer Shares in the Investor's securities account will be delivered to Investors in accordance with the rules of a given investment firm. The date of the delivery of such notice to the Investors will not have any impact on the Listing Date of the Listing Shares, including the Offer Shares, on the WSE as the notices may be delivered to the Investors after the listing commenced.

The Offer Shares will, when issued, be fully paid and rank *pari passu* in all respects with the other Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of this Prospectus. For a description of the rights attaching to the Offer Shares, see "Description of Share Capital".

Public announcement of the Offering Results

The results of the Offering will be announced within 14 days from the Allotment Date, by way of press release published on the Company's website www.peixin.com and in a manner compliant with applicable regulations as well as market practices in the Netherlands and Poland.

Admission of the Listing Shares to the WSE and Commencement of Trading

The Shares have not been and are not traded on any regulated market.

The Company intends to make an application to the WSE for the admission of all of the Listing Shares (including the Offer Shares) to trading on the main market segment of the regulated market on the WSE. As at the date of this Prospectus an application for the admission of the Listing Shares to trading on the regulated market has not been filed. Management expects that admission to be approved without delay, so that trading in the Listing Shares on the WSE should commence shortly after the Settlement Date. However, there can be no assurance that admission to trading of the Listing Shares on the WSE will in fact occur.

Investors trading on the WSE should consider that the Offer Shares will be eligible for listing on the WSE upon completion of necessary registration procedures at the NDS. No entity has a commitment of any kind to act in secondary trading in the Shares or provide liquidity through bid and offer rates.

Deposit of Shares

The Company intends to apply for registration of all of its shares in the NDS. The NDS, which is a Polish central clearinghouse and depository of securities with its seat at ul. Książęca 4, 00-498 Warsaw, Poland, will act as a principal depository of the Listing Shares, including the Offer Shares. The Shares will be cleared through the NDS. The NDS will act as a paying agent for any distributions payable to holders of the Shares.

The Shares have been assigned the following ISIN code NL0010577052.

PLACING, STABILISATION AND LOCK-UP

Offering Agent

Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie will act as the Lead Manager, Sole Bookrunner and Offering Agent with respect to the Offering.

Name and address of payment and depositary agents

The Company does not expect to engage payment agents. The Offer Shares will be registered in depositary system maintained by the NDS with its registered seat in Warsaw, ul. Książęca 4, 00-498 Warsaw.

Placement Agreement

On 12 September 2013 the Company, the Shareholders, Fujian Peixin and Quanzou Peixin entered into a placement agreement (the "Placement Agreement") concerning the Offering with the Offering Agent, under which the Offering Agent undertook to use its best endeavours to procure subscribers for the Offer Shares at the Offer Price. The Offering Agent is under no obligation to underwrite or otherwise purchase or subscribe for any Offer Shares or other securities offered hereby.

Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, ul. Puławska 15, 02-515 Warsaw, Poland, will act as offeror in Poland with respect to the Offer Shares for the purposes of the Offering and admission of the Shares to trading on the main market of the WSE.

The Placement Agreement includes customary representations and warranties of the Company, including those related to the financial position of the Group and the validity of the issuance of the Offer Shares.

The Placement Agreement includes customary conditions precedent and events of termination, including force majeure events and compliance with the Company's representations and warranties as given in the Placement Agreement. Failure of a condition precedent or the occurrence of a termination event will result in the Offering Agent's right to terminate the Placement Agreement on terms reflecting general market practice applicable to international offers similar to the Offering. Under the Placement Agreement, the Company agreed that, without the prior written consent of the Offering Agent (which may be granted on a discretionary basis), it will not (and will procure that none of its subsidiaries or affiliates will) purchase any of the Shares or reduce its share capital or publicly announce its intention to take any of these actions during the 180 days period after the commencement of trading of the Listing Shares on the WSE.

In connection with the Offering, the Company agreed to pay a fee of up to EUR 650,000, including an incentive fee, of the gross proceeds from the placement and sale of the Offer Shares in the Offering. In addition, the Company agreed to indemnify the Offering Agent against certain liabilities and to reimburse the Offering Agent for certain of its expenses in connection with the management of the Offering.

Furthermore, the Placement Agreement contains customary undertakings of the Company, relating among others to lock up provisions (see "- *Lock Up*").

Lockup

Each of the Company and Mr Qiulin Xie, its principal shareholder, agreed that, without the written consent of the Offering Agent (which may be granted on a discretionary basis), they will not, nor will any of their affiliates over which they exercise control or voting power, or person acting on their behalf, during the 360 days period after the commencement of trading of the Listing Shares on the WSE, issue, pledge, offer, sell, transfer or otherwise dispose of, or publicly announce the proposed issuance, sale, offering or disposal of, any Company's shares or other equity securities or securities linked to the Company's share capital or take any actions aimed at or resulting in the issuance of any of the Company's shares, or enter into a derivative transaction that transfers the economic consequences of the ownership of Company’s shares or enter into transactions which may result in the issuance, offering, sale or disposal of securities linked with the Company’s shares. In addition, the Company's minority shareholders: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited, have each undertaken the same lock-up commitment except that it will last for 180 days after the commencement of trading of the Listing Shares on the WSE, unless the Offering Agent, acting on a discretionary basis, grants a written consent releasing them from the lock-up commitment.

Stabilisation

As of the date of this Prospectus, no stabilisation actions are expected to be undertaken. The terms and conditions of the Offering do not provide for an over-allotment or greenshoe option.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Group or the Shares in any jurisdiction, other than the Republic of Poland, where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

European Economic Area

The Prospectus has been approved by AFM, a supervisory authority over the capital market in the territory of the Netherlands and will be passported into Poland. No public offering of the Offer Shares will be made in Member State other than Poland. The Offering may be promoted in a Member State under certain exemptions from the obligation to publish a prospectus under the Prospectus Directive, if such exemptions have been implemented in that Member State, provided that any such offering will not result in a requirement to publish a prospectus by the Company or by the Offering Agent under Article 3 of the Prospectus Directive or any relevant implementing legislation.

In relation to each Member State (other than Poland) that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date"), there will be no offer of the Offer Shares to the public in that Relevant Member State, other than:

- to a legal entity that is a qualified investor (as defined in the Prospectus Directive);
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal entities (other than qualified investors as defined in the Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that, in each case, no such offer of the Offer Shares shall require the Company to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of the Offer Shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication, in any form and by any means, of sufficient information regarding the terms of the Offering and the Offer Shares being offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, while the scope and form of such communication may vary in individual Relevant Member States due to measures implementing the Prospectus Directive in such a Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State; and the expression "2010 PD Amending Directive" means the Directive 2010/73/EU.

United States

Neither the Offer Shares nor other Company's securities described in the Prospectus have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States for offer or sale as part of their distribution and may not be offered or sold in the United States. The Offering will be advertised solely to investors outside the United States in reliance on Regulation S.

United Kingdom

The Prospectus has not been and will not be submitted for approval to the Financial Conduct Authority in the United Kingdom.

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed in the United Kingdom to, and is only directed at, persons that are qualified investors ("qualified investors") within the meaning of Article 2(1)(e) of the Prospectus Directive (as defined above): (i) that also have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"); or (ii) that fall within Article 49(2)(a) to (d) of the Order; or (iii) to whom it may otherwise be lawfully communicated (all such persons together being referred to as "relevant persons"). The Offer Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Offer Shares will be engaged in only with, relevant persons. This Prospectus and its contents must not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person must not act or rely on this Prospectus or any of its contents.

OBLIGATIONS RELATED TO THE OFFER SHARES

Information included in this section describes certain aspects of Dutch and Polish securities market and corporate regulations relevant in connection with the acquisition, holding and disposal of the shares as of the date of this Prospectus and is included for general information only. This summary does not purport to be a comprehensive description of all Dutch and Polish regulatory considerations that may be relevant for investors to decide on the acquisition, holding and disposal of the shares. Therefore, investors should review the relevant regulations and consult their own legal advisor regarding legal consequences of acquiring, holding and disposing of the shares under the laws of their country or state of citizenship, domicile or residence.

European Union Tender Offer Regulations

In the absence of regulatory guidance, a clear resolution to conflicts of laws issues relating to various tender offer regulatory regimes cannot be provided. The relevant conflict of laws provisions of the Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004 on takeover bids (the **Takeover Directive**) provide that if the offeree company's shares are not admitted to trading on a regulated market in the Member State in which the company has its registered office, or if the offeree company's shares are admitted to trading on regulated markets in more than one Member State, the authority competent to supervise the bid shall be that of the Member State on the market of which the shares are (or, if applicable, were first) admitted to trading.

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

Netherlands Law

Squeeze-out Procedures

Pursuant to Section 2:92a Dutch Civil Code (*Burgerlijk Wetboek*, **DCC**), a shareholder who for his own account provides at least 95% of the Company's shares may institute proceedings against the Company's minority shareholders jointly for the transfer of their shares to him or her. The proceedings are held before the Enterprise Chamber of the Court of Appeals in Amsterdam (the **Enterprise Chamber**) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

The Enterprise Chamber may grant the claim to buy out all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value of the shares. Once the order to transfer becomes final, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he shall also publish this information in a daily newspaper with a national circulation.

With the implementation of the Takeover Directive, the rules for squeeze-out procedures have been supplemented. Section 2:359c DCC provides that the offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds shares for at least 95% of the share capital and at least 95% of the total voting rights. If there are different classes of shares, the claim may only be instituted with regard to the class of ordinary shares for which the offeror alone or jointly with group companies holds at least 95% of the issued capital and 95% of the voting rights. The claim of a takeover squeeze-out needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim to buy out all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value of the shares. In principle, the Offering Price is considered reasonable as long as 90% or more of the shares have been acquired at that price.

Section 2:359d DCC also entitles those minority shareholders that have not previously tendered their shares under an offer to transfer their shares to the offeror, provided that the offeror has acquired shares for at least 95% of the share capital and at least 95% of the total voting rights. If there are different classes of shares, the claim may only be instituted with regard to the class of ordinary shares for which the offeror alone or jointly with group companies holds at least 95% of the shares and 95% of the voting rights. As regards price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies (see previous paragraph). The claim also needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations of Shareholders to Make a Public Offer

Based on Directive 2004/25/EC of the European Parliament and of the Council of the European Union (the **Takeover Directive**) each Member State should ensure the protection of minority shareholders by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of each Member State provide a percentage that forms the threshold for control over companies.

Under the laws of the Netherlands, the above mentioned percentage is 30%. A person (whether acting alone or in concert) that acquires 30% or more of the voting rights of a Dutch company whose shares are admitted to trading on a regulated market must make a public offer for the remaining shares of that company.

A person holding more than 30% of the shares at the time of the listing is exempted from this obligation to make an public offer as long as he or she holds and continues to hold, more than 30% of the shares.

Furthermore, in general, it is prohibited to launch a public offer for shares of a listed company unless an offer memorandum has been approved by the AFM or another competent supervisory authority. A public offer is launched by way of publication of the approved offer memorandum.

Transparency Directive

The Company is a public limited liability company incorporated and existing under the laws of the Netherlands. The Netherlands is the home member state of the Company for the purposes of Directive 2004/109/EC (the **Transparency Directive**) as amended by Directive 2010/73/EU as a consequence of which the Company will be subject to the Wft in respect of certain ongoing transparency and disclosure obligations upon listing of the shares.

The Company shall publish its annual accounts within four months after the end of each fiscal year and its half-yearly figures within two months after the end of the first six months of each fiscal year. Furthermore, the Company shall publish interim management statements (containing, among other things, an overview of important transactions and their financial consequences) in the period between ten weeks after the beginning, and six weeks before the end, of the relevant six-month period of each fiscal year, or, alternatively, publish quarterly financial statements. Within five calendar days after adoption of its annual accounts, the Company shall submit its adopted annual accounts to the AFM.

Obligations of Shareholders and members of the Board to notify holdings of shares and voting rights

Shareholders may be subject to notification obligations under the Wft. The following description summarises those obligations.

Any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) shares and/or voting rights held (or acquired or disposed of) by such person’s controlled entities or by a third party for such person’s account (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; and (v) shares which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire shares.

Controlled entities (within the meaning of the Wft) do not themselves have notification obligations under the Wft as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a 3% share or larger in the Company’s share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the Wft will become applicable to such former controlled entity.

Special attribution rules apply to shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares, (ii) such person may be obliged to purchase shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

Under the Wft, the Company is required to notify the AFM promptly after the settlement of the Offering of the Company's issued and outstanding share capital and voting rights. Thereafter the Company is required to notify the AFM promptly of any change of 1% or more in the Company's issued and outstanding share capital or voting rights since the previous notification. Other changes in the Company’s issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

If a person's capital interest and/or voting rights reach, exceed or fall below the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 3% or more of the Company's issued and outstanding share capital at the settlement of the Offering must notify the AFM of such holding without delay.

In addition, any person with a capital interest or voting rights in the Company of at least 3% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from December 31 at 24:00 hours.

Furthermore, each member of the Board must notify the AFM: (a) immediately after the settlement of the Offering of the number of shares he/she holds and the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital; and (b) subsequently of each change in the number of shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public registry of and publishes all notifications made pursuant to the Dutch Financial Supervision Act at its website (*www.afm.nl*).

Non-compliance with these notification obligations is an economic offence and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by the Company, or by one or more shareholders who alone or together with others represent at least 5% of the issued and outstanding share capital of the Company or are able to exercise at least 5% of the voting rights. The measures that the civil court may impose include:

- an order requiring the person with a duty to disclose to make the appropriate disclosure;
- suspension of the right to exercise the voting rights by the person with a duty to disclose for a period of up to three years as determined by the court;
- voiding a resolution adopted by the General Meeting of shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the General Meeting of shareholders until the court makes a decision about such voiding; and
- an order to the person with a duty to disclose to refrain, during a period of up to five years as determined by the court, from acquiring shares or voting rights in the Company.

Shareholders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

Short positions

Each person holding a net short position attaining 0.2% of the issued share capital of a Dutch listed company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located. There is also an obligation to notify the AFM of gross short positions. The notification thresholds are the same as apply in respect of the notification of actual or potential interests in the capital and/or voting rights, as described above.

Market Abuse Rules

The Wft provides for specific rules intended to prevent market abuse, such as prohibitions on insider trading, divulging inside information and tipping, and market manipulation. This is an implementation of the EU

Market abuse directive 2003/6/EC. The Company, the members of the Board and other insiders and persons performing or conducting transactions in the Company's securities, as applicable, will be subject to the Dutch insider trading prohibition, the Dutch prohibition on divulging insider information and tipping, and the Dutch prohibition on market manipulation. In certain circumstances, the Company's investors may also be subject to the Dutch market abuse rules.

Any dealings in or from the Netherlands in the shares and other financial instruments the value of which is (co)-determined by the value of the shares (including dealings by the Company itself) are subject to the provisions of the Wft with respect to insider trading, market manipulation and other market abuse rules. It is prohibited for any person to make use of inside information within or from the Netherlands by conducting or effecting a transaction in the Company's securities. In addition, it is prohibited for any person to pass on inside information to a third party or to recommend or induce, on the basis of inside information, any person to conduct a transaction. Furthermore, it is prohibited for any person to manipulate the market, for instance by conducting transactions which could lead to an incorrect or misleading signal of the supply of, the demand for, or the price of the securities.

Inside information is any information of a precise nature relating (directly or indirectly) to the Company, or to trading in the shares, which information has not been made public and which, if it were made public, would be likely to have a significant effect on the price of the shares or on the financial instruments the value of which is (co)-determined by the value of the shares.

Pursuant to the rules on market abuse, the Company has an internal insider trading policy, which will be available on the Company's website. This policy provides for, among other things, rules on the possession of and transactions by the Board and other employees in the shares or in financial instruments the value of which is (co)-determined by the value of the shares. In addition, the Company has prepared a list of those persons working for it who may have access to inside information on a regular or incidental basis and will inform the persons concerned of the rules on insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

Non-compliance with the reporting obligations under the Wft could lead to civil sanctions, criminal fines, administrative fines, cease-and-desist orders (and the publication thereof), imprisonment or other sanctions, as applicable.

Pursuant to the Wft, the members of the Board and any other person who has managerial responsibilities with the Company and in that capacity is authorized to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating, directly or indirectly, to the Company (each, an **Insider**) must notify the AFM of all transactions conducted or carried out for his or her own account, relating to the shares or financial instruments, the value of which is (in part) determined by the value of the shares.

In addition, persons designated by the Market Abuse Decree (*Besluit Marktmisbruik Wft*) who are closely associated with an Insider must notify the AFM of any transactions conducted for their own account relating to the shares or financial instruments, the value of which is (in part) determined by the value of the shares. The Market Abuse Decree designates the following categories of persons as being closely associated: (i) the spouse or any partner considered by national law as equivalent to a spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, among other things, managed or controlled by a member of the Board or any other Insider or by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified of transactions effected in either the shares or financial instruments, the value of which is (in part) determined by the value of the shares, no later than the fifth business day following the transaction date by means of a standard form. The notification may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out by the persons closely associated with that person, reach or exceed an amount of EUR 5,000 in the calendar year in question. The AFM keeps a public register of the notifications.

Polish Capital Market Regulations

Obligations of Shareholders to Make a Public Offer

In accordance with Takeover Directive 2004/25/EC, each Member State should ensure the protection of minority shareholders by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office, being the Netherlands, will determine the percentage of voting rights that is regarded as conferring control over that company. Below is a general description of the Polish tender offer rules.

The Takeover Directive allows the Member States to introduce additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments under Article 72 and Article 73 of the Polish Public Offerings Act.

Tender Pursuant to Article 72 of the Polish Public Offerings Act

According to the Polish Public Offerings Act, an acquisition of shares in a public company in a number resulting in increasing the aggregate number of votes by more than: (i) 10% of the total number of votes within less than 60 days by an entity whose share in the total number of votes was lower than 33%; (ii) 5% of the total number of votes within less than 12 months by an entity whose share in the total number of votes was higher than 33%, may only be effected by announcing a tender offer for the sale or exchange of such shares in the number not lower than 10% or 5%, respectively.

The obligations under Article 72 do not arise if the shares in a public company are acquired on the primary market, as a result of being contributed to a company in-kind, or as a result of merging or demerging with a company.

Tender Pursuant to Article 73 of the Polish Public Offerings Act

Pursuant to Article 73 of the Polish Public Offerings Act, a shareholder may exceed 33% of the total vote in a public company only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares.

If a shareholder exceeds the 33% threshold as a result of an indirect acquisition of shares, acquisition of new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's statute, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder or entity which indirectly acquired the shares is obliged, within three months from exceeding the 33% threshold: (i) to announce a tender offer to sell or exchange the shares in the company, concerning a number of shares conferring the right to 66% of the total vote; or (ii) to dispose of such a number of shares as to hold shares conferring the right to no more than 33% of the total vote; unless within that period the share of such shareholder or the entity which indirectly acquired the shares in the total vote decreases below 33% as a result of a share capital increase, introduction of amendments to the company's statute, or expiry of preference rights attached to such shareholder's shares.

If a shareholder exceeds the 33% threshold as a result of inheritance, then the obligation referred to above applies only if following such an acquisition the shareholder's share in the total vote increases further. The time to perform the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

Tender pursuant to Article 74 of the Polish Public Offerings Act

Pursuant to Article 74 of the Polish Public Offerings Act, as a general rule, a shareholder may exceed 66% of the total vote in a public company only as a result of a tender offer to sell or exchange the remaining shares in the company.

If the threshold of 66% of the total number of votes in a public company is exceeded as a result of indirect acquisition of shares, acquisition of new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's statute, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder or the entity which indirectly acquired the shares is obliged, within three months from exceeding the 66% threshold to announce a tender offer to sale or exchange the remaining shares in the company unless within that period the share of such a shareholder or the entity which indirectly acquired the shares in the total vote decreases to 66% or less as a result of a share capital increase, amendments to the company's statute, or expiry of preference rights attached to such shareholder's shares.

If within six months from a tender offer for the sale or exchange of all remaining shares in a public company a shareholder acquires further shares in the company at a price higher than the price set in the tender offer other than by way of a tender offer or as a result of the exercise of the squeeze-out obligation referred to in Article 83 of the Act on Public Offering, then the shareholder is obliged, within a month from such acquisition, to pay the difference in the share price to all persons that sold shares by accepting the tender offer, except for certain persons who accepted the tender offer and from whom shares constituting at least 5% of all shares in the public company were acquired at a reduced price, where the entity announcing the tender and such person decided to reduce the share price. This provision applies accordingly to an entity which indirectly acquired shares in a public company.

If a shareholder exceeds the 66% threshold as a result of inheritance, the obligation to announce a tender offer or to dispose of shares, as referred to above, applies only if following such acquisition the shareholder's share in the total vote increases further; the time for the performance of the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

However, pursuant to Art. 90a of the Polish Public Offerings Act, in the case of a public company with its registered office in a Member State other than the Republic of Poland whose shares have been admitted to trading on a regulated market solely on the territory of the Republic of Poland, Art. 74 of the Polish Public Offerings Act, which provides a 66% threshold for a mandatory takeover bid, will not apply. Given that Polish law explicitly excludes application of Art. 74 of the Polish Public Offerings Act, the Dutch threshold of 30% should apply. At the same time, it is disputable whether an entity announcing a tender offer under Dutch law, due to exceeding the 30% threshold, is obliged as a matter of separate obligation under Art. 73 of the Polish Public Offerings Act to announce a bid for 66% of votes when exceeding the Polish threshold of 33% of votes. Therefore, investors are urged to seek their own legal advice to determine whether such additional obligations will apply to their situation.

Additional Regulations regarding Tender Offers under Articles 72 through 74 of the Act on Public Offering

A tender offer may be announced only after a security is created for not less than 100% of the value of the shares covered by the tender offer. The security should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the security. A tender offer should be announced and carried out through an entity conducting brokerage activities in Poland. The price in the tender offer must be determined in accordance with the rules set out in detail in Article 79 of the Polish Public Offerings Act.

Upon receipt of the notification of the intention to announce a tender offer, the PFSC may, not later than three business days before opening the subscription period, request that within a specified period of not less than two days the tender offer be amended or supplemented as necessary or that clarifications of its wording be provided. The opening of the subscription period under a tender offer will be suspended until the entity obligated to announce the tender offer carries out the actions specified in the request referred to in the preceding sentence.

A tender offer may not be abandoned unless another entity announces a tender offer for the same shares after the first lender offer has been announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for the remaining shares in the company at a price not lower than the price of the first tender offer.

In the period between the notification of the intention to announce a tender offer and the closing of the tender offer: (i) the entity obligated to announce the tender offer; (ii) its subsidiaries; (iii) its parent entity; or (iv) the parties to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities or voting in concert at the general meeting of that company on matters significant for that company:

- may acquire shares in the company whose shares are covered by the tender offer only as part of the tender offer and in a manner defined therein;
- may not during the tender offer dispose of shares in the company whose shares are covered by the tender offer or enter into any agreement under which they would be obligated to dispose of the shares; and
- may not indirectly acquire shares in a public company which the tender offer concerns.

After the tender offer is announced, the entity obligated to announce the tender offer and the Management Board of the company whose shares are covered by the tender offer should provide information on the tender offer, including the contents of the tender offer document, to the representatives of trade unions active at the company, and if there are no such trade unions, directly to employees.

If shares covered by the tender offer are admitted to trading on a regulated market in Poland and in another Member State, the entity announcing the tender offer is obliged to ensure quick and convenient access, in the territory of such Member State, to all information and documents which are published in connection with the tender offer in a manner defined in the applicable laws and regulations of the Member State.

Following the completion of the tender offer, the entity which announced the tender offer is obliged to disclose, in the manner provided for in Article 69 of the Act on Public Offering, the number of shares acquired in the tender offer and their percentage share in the total vote achieved as a result of the tender offer.

Article 75 of the Act on Public Offering sets forth certain exemptions from the obligations arising under Articles 72 and 73 thereof. These obligations are not triggered by an acquisition of shares from the State Treasury:

- in an initial public offering; and
- within three years of the completion of an initial public offering.

The obligations arising under Article 72 of the Polish Public Offerings Act are not triggered if the shareholder acquires shares in primary trading, through a non-cash contribution or as a result of a merger or demerger of a company.

Additionally, pursuant to Article 75 of the Polish Public Offerings Act the following acquisitions of shares do not trigger the obligations arising under Articles 72 through 74 thereof:

- in a company whose shares have been introduced to an alternative trading system only or have not been traded in organised trading;
- from a member of the same group;
- by way of a procedure provided for in bankruptcy regulations or enforcement proceedings;
- under an agreement establishing financial collateral between qualifying entities, concluded on terms and conditions defined in the Act on Certain Types of Financial Collaterals;
- encumbered with a pledge in order to satisfy pledge entitled, under statutes, to satisfy his or her claims by foreclosure of a pledged asset; or
- by inheritance, except for cases referred to in Article 73 and Article 74 of the Polish Public Offerings Act.

Price of the shares in the tender offer

If any of the shares in the company are subject to trading in the regulated market, the share price proposed in the tender offer may not be lower than:

- the average market price in the period of six months preceding the tender offer announcement during which the shares were traded on the main market; or
- the average market price in a shorter period if the trading of the shares on the main market was shorter than the period determined in the above clause.

If the price cannot be determined in accordance with the above rules and in the case of a company in relation to which arrangement or bankruptcy proceedings have been instigated, the price may not be lower than the fair value of the shares. The price of the shares proposed in the tender offer may also not be lower than:

- the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity obliged to announce the tender offer, the entities dependent on the entity obliged to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity obliged to announce the tender offer with regard to the purchase by the said entity of the shares of a public company or voting in concert at the general meeting regarding the major affairs of the company; or
- the highest value of the assets or rights issued by the entity obliged to announce the tender offer or the entities mentioned in the above clause in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

The share price proposed in the tender offer for the sale or exchange of all the remaining shares in a public company may also not be lower than the average market price within three months of trading the shares in the regulated market preceding the tender offer announcement.

The share price proposed in the tender offer mentioned in Articles 72 to 74 of the Act on Public Offering may be lower with regard to shares constituting at least 5% of all the shares of the company that will be purchased within the tender offer from an identified person replying to the tender offer, should the company obliged to announce the tender offer and the said person so decide.

In the case when the average market price of shares established in accordance with the above rules materially differs from the fair value of those shares due to:

- granting the shareholders pre-emptive right, right to dividend, right to acquire shares of the acquirer in connection with the demerger of a public company by spin-off, or other property rights related to their holding shares of a public company;

- considerable deterioration of financial condition or assets of the company due to events or circumstances that could not have been foreseen or prevented by the company; or

- threat of permanent insolvency of the company,

the entity announcing the tender offer may apply to the PFSC for consent to propose the price in the tender offer which does not comply with the criteria set forth above. The PFSC may give its consent thereto, provided that the proposed price is not lower than the fair value of these shares, and the call for tender does not breach the legitimate interest of the shareholders.

Entities subject to regulations on acquisition of significant blocks of shares

The obligations set out in the provisions regarding the notification to the PFSC about reaching or exceeding a particular threshold of the total number of votes in a public company, tender offers, squeeze-outs or sell-outs are imposed on:

- any entity that reaches or exceeded the threshold of the total vote determined in the Act on Public Offering as a result of acquisition or disposal of depositary receipts issued in connection with the shares in such public company;

- an investment fund also if it reaches or exceeds a given threshold of the total vote determined in the Polish Public Offerings Act in connection with shares held jointly by other investment funds managed by the same investment fund company or other investment funds established outside of the territory of Poland and managed by the same entity;

- an entity that reaches or exceeds a given threshold of the total vote set out in the Polish Public Offering in connection with the possession of shares by: (i) a third party on its own behalf, however to the order or for the benefit of such entity, excluding the shares purchased within the execution of activities which involve buying and selling of broker's financial installments for the benefit of the person giving the order; (ii) within the framework of activities which involve management of a portfolio that includes one or greater number of broker's financial instruments, determined in the Act on Trading and Polish Investment Funds Act of 27 May 2004 (as amended)— regarding the shares included in the managed securities portfolios, for which the entity as a management company may enforce the right to vote at the general meeting on behalf of the ordering parties; and (iii) a third party with whom the entity has concluded an agreement to transfer the right to vote;

- the proxy who within a power of attorney to represent the shareholder at the general meeting was authorised to exercise the right to vote resulting from the shares of a public company if the person has not issued any binding orders as to the method of voting;

- all entities which are bound by a written or oral arrangement regarding the purchasing by the entities of the shares of a public company or voting in concert at the general meeting regarding the major affairs of the company, if at least one of such entities made or planned to make activities resulting in the origin of such duties;

- entities that concluded the arrangement mentioned above possessing the shares of a public company in a number ensuring the joint achievement or excess of the given threshold of the total number of votes determined in the regulations. In the cases mentioned above in the two latest sub-items, the duties determined in the regulations regarding the major stakes of shares may be fulfilled by one of the parties to the arrangement identified by the parties to the arrangement.

Obligations set forth in the provisions concerning the notification to the PFSC about reaching and exceeding the specified threshold of votes in a public company, tender offers, squeeze-out or sell-out arise also in the case where the voting rights are related to securities deposited or registered with the entity that may dispose of them at its own discretion.

Squeeze-Out and Sell-Out Rules

Pursuant to Article 82 of the Polish Public Offerings Act, a shareholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies which are parties to an agreement regarding the purchase of shares, voting in concert at the shareholders meeting or conducting long-term policy against the company, reaches or exceeds 90% of the overall number of votes in such public company, may demand, within three months from the date on which such shareholder reaches or exceeds of the relevant threshold, that the remaining shareholders sell all the shares held by them to such shareholder.

Pursuant to Article 83 of the Polish Public Offerings Act, a shareholder in a public company may demand that another shareholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The demand is made in writing within three months from the date on which such shareholder reaches or exceeds the relevant threshold.

Pursuant to conflict of law rules provided under the Polish Act of 4 February 2011 on International Private Law, in the case of an issuer established in the Netherlands, matters pertaining to transferring or acquiring shareholder status, which should include squeeze-out and sell-out, should be governed by Dutch law. However, given that the Polish Public Offerings Act does not explicitly limit application of its provisions concerning squeeze-out and sell-out in public companies to public companies which are incorporated in Poland, it cannot be entirely ruled out that an adverse interpretation will be adopted. Investors are urged to seek their own legal advice to determine which law will apply to their particular case.

Disclosure Obligations Regarding Changes in the Public Company Share Ownership

Under the Polish Public Offerings Act, any entity who: (a) has achieved or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total vote in a public company; or (b) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50% 75% or 90% of the total vote in a public company, and as a result of a reduction of its equity interest holds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% or less of the total vote, respectively—is obliged to notify the PFSC and the company of the fact not later than four business days from the date on which the entity becomes, or by exercising due care could have become, aware of such change, and if the change resulted from the acquisition of shares in a public company in a transaction executed on a regulated market—not later than within six trading days from the date of the transaction.

The notification requirement applies also to a shareholder who: (a) held over 10% of the total vote and this share has changed by at least: (i) 2% of the total vote—in the case of a public company whose shares have been admitted to trading on the official stock-exchange listing market (as of the date of this Prospectus, such market is the main market of the Warsaw Stock Exchange); or (ii) 5% of the total vote—in the case of a public company whose shares have been admitted to trading on a regulated market other than the official stock-exchange listing market; (b) held over 33% of the total vote and this share has changed by at least 1%.

The notification requirement also applies to any shareholder who reaches or exceeds a specified threshold of the total vote as a result of: (i) the occurrence of a legal event other than an act in law; (ii) acquisition or disposal of financial instruments conferring the unconditional right or obligation to acquire shares in a public company which are already in issue; and (iii) indirect acquisition of shares in a public company. Furthermore, the obligation arises also if the voting rights are attached to securities comprising collateral; unless the entity for the benefit of which the collateral is established has the right to exercise the voting rights and has declared its intention to do so, in which case the voting rights are deemed to be held by the entity for the benefit of which the collateral was established.

Such notification requirement does not apply if upon the settlement in the depositary of securities of a few transactions executed on the regulated market on a single day, the change of a shareholder's share in the total vote in a public company as at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the notification requirement. The Act on Public Offering specifies the detailed scope of the information to be included in a notification sent to the PFSC and a public company, to which the notification requirement is applied.

Scope and Timing of Ongoing Disclosure

Issuers of securities for which the Republic of Poland is a host state, within the meaning of the Polish Public Offerings Act, are subject to the disclosure requirements specified in the legislation in force in the home state of such issuers. Therefore, under the Polish Public Offerings Act in the case of the Issuer, the scope of inside, current and periodic information (including the content of annual reports, semi-annual reports and quarterly reports) to be disclosed, as well as the timing of such disclosure, is determined by Dutch law, as the Netherlands is its home state.

Issuers of securities admitted to trading on a regulated market in the Republic of Poland are required to communicate any inside information to the PFSC, Warsaw Stock Exchange and to the public, as well as to post such information on their website.

In addition, issuers of securities for which the Republic of Poland is the host state are required to communicate any current and periodic information to the PFSC, Warsaw Stock Exchange and to the public (through a Current Report).

Under the Polish Public Offerings Act, inside, current and periodic information may be disclosed by issuers for whom the Republic of Poland is a host state in either Polish or English at the discretion of such issuers. Upon admission of the shares to trading on the Warsaw Stock Exchange, the Issuer will be bound by the above-mentioned disclosure requirements.

Use of Inside Information in Trading and Manipulation Involving Financial Instruments

The Act on Trading prohibits the use of inside information in trading. Inside information within the meaning of that Act is any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments. The Act on Trading defines a holder of inside information as anyone who (i) gains inside information by virtue of membership in the governing bodies of the company, by virtue of having an interest in the capital of the company, or as a result of having access to inside information in connection with employment, practiced profession, or a mandate contract or any other contract of a similar nature, in particular a) the members of the Management Board, Supervisory Board, proxies or attorneys-in-fact of the issuer, its employees, chartered auditors or other persons related to the issuer under any mandate contract or any legal relationship of a similar nature, or b) shareholders of a public company, or c) persons employed or holding posts referred to in a) above in the subsidiary or parent entity of the issuer of financial instruments admitted or sought to be admitted to trading on the regulated market, or bound with such entity under a mandate contract or any other legal relationship of a similar nature, or d) brokers or advisors (original holder of inside information); (ii) gains inside information through criminal activities; or (iii) gains inside information otherwise, provided that such person knew or acting with due diligence, could have known such information to be inside information. In principle, persons holding inside information are forbidden to: (A) acquire or dispose of financial instruments for their own account or for the account of a third party on the basis of the inside information, or effect any other legal transaction undertaken for their own account or for the account of a third party which leads or might lead to disposal of such financial instruments, if such instruments: (I) are admitted or sought to be admitted to trading on a regulated market in the territory of the Republic of Poland or another Member State (irrespective of whether the transaction in such installments is executed on such market), or (II) are not admitted to trading on a regulated market in the territory of the Republic of Poland or another Member State but their price or value depends, whether directly or indirectly, on the price of the financial installment referred to in (I) above, (III) are introduced to trading in an alternative trading system in the territory of the Republic of Poland, or are sought to be introduced to trading in such a system, whether or not the transaction in such instruments is executed on such a market, or (IV) are not introduced to trading in the alternative trading system, but their price or value depends, whether directly or indirectly, on the price of the financial instrument referred to in (III); (B) recommend or induce another person on the basis of the inside information to acquire or dispose of financial instruments to which such information relates; and (C) disclose the inside information.

Any violation of the prohibition to disclose inside information constitutes an offence. In accordance with the Act on Trading, anyone who, in violation of the prohibition discloses inside information or recommends or induces another person on the basis of the inside information to acquire or dispose of financial instruments is liable to a fine of up to PLN 2 million or a penalty of imprisonment for up to three years, or to both these penalties jointly. Furthermore, anyone who in violation of the prohibition buys or sells financial instruments on one's own account or on account of a third party on the basis of inside information, or takes other steps on one's own account or on account of a third party which lead or might lead to disposal of financial instruments, is liable to a fine of up to PLN 5 million or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly.

In addition to prohibiting the use of inside information, the Act on Trading also forbids manipulation involving financial instruments. Examples of manipulation include manipulating market prices by executing actual or sham transactions, executing other transactions, placing orders, making false representations and disseminating false or misleading information. Depending on the circumstances, manipulation involving financial instruments may constitute: (i) a breach of the administrative law, which is punishable by a fine of up to PLN 200,000 or a fine of up to ten times the benefits derived, or by both these penalties jointly with respect to the perpetrator of the manipulation; or (ii) an offence punishable by a fine of up to PLN 5 million or a penalty of imprisonment for a period from three months to five years, or by both these penalties jointly.

Obligations connected to the Purchase or Sale of shares during Lock-Up Periods

Pursuant to the Act on Trading during the restricted periods described below certain persons who have access to level one confidential information are prohibited from participating in the following activities either on their own account or on behalf of a third party: (i) acquiring or disposing of the issuer's shares; (ii) acquiring or disposing of any derivatives connected to the issuer's shares or any other related financial instruments; or (iii) performing other legal actions which could lead to the disposition of such financial instruments. This restriction applies exclusively to an issuer's (a) Management Board; (b) the Supervisory Board; (c) registered proxies or attorneys-in-fact; (d) employees; (e) chartered auditors and (f) consultants or other persons who are retained on the basis of a mandate or a similar legal mechanism.

Acting as a body of a legal person, these certain persons who have access to level one confidential information during restricted periods cannot (i) undertake actions aiming at this legal person acquiring or disposing, on its own account or on behalf of a third party, of the issuer's shares or any derivatives for which the issuer's shares are the underlying assets or any other financial instruments linked with the issuer's shares; or (ii) perform other legal actions which lead or might lead this legal person to dispose of such financial instruments on its own account or on account of a third party.

The restricted periods during which the above prohibition applies are:

- The period beginning when a member of the Management Board or the Supervisory Board, a proxy or an attorney of the issuer, its employee, auditor, or other persons who remain in a mandate or another similar legal relationship with the issuer, become aware of inside information regarding the issuer or specified financial instruments and ending when such information is publicly disclosed.

- In the case of an annual report two months before the public disclosure of the report or the period between the end of the fiscal year and the public disclosure of the report, if that period is shorter, unless the person referred to in point 1 above did not have access to the financial information on the basis of which the report was drawn up.

- In the case of a semi-annual report one month before the public disclosure of the report or the period between the end of the half-year in question and the public disclosure of that report, if that period is shorter, unless the natural person referred to in point 1 above did not have access to the financial information on the basis of which the report was drawn up.

- In the case of a quarterly report two weeks before the public disclosure of the report or the period between the end of the quarter in question and the public disclosure of that report, if that period is shorter, unless the natural person referred to in point 1 above did not have access to the financial information on the basis of which the report was drawn up.

The PFSC can impose a fine of up PLN 200,000 upon an insider who breaches the above restrictions. Furthermore, the PFSC's decisions in this respect are made public.

Persons who are members of an issuer's management or supervisory bodies, who are proxies of the issuer or who discharge managerial responsibilities and therefore have permanent access to inside information related, whether directly or indirectly, to the issuer, and are authorised to make decisions concerning the issuer's development and economic prospects must notify the PFSC and the issuer of their dealings in the issuer's shares and other financial instruments. This notification requirement also applies to the dealings of certain connected people of the individuals mentioned above, as defined in accordance with Article 160.2 of the Act on Trading. The PFSC can impose a fine of PLN 100,000 for breach of the above restriction.

TAXATION

The following is a discussion of certain Polish and Dutch tax considerations relevant to an investor resident in Poland or which is otherwise subject to Polish and Dutch taxation. This statement should not be deemed to be tax advice. It is based on Polish and Dutch tax laws and, as its interpretation refers to the position as at the date of this prospectus, it may thus be subject to change including a change with retroactive effect. Any change may negatively affect tax treatment, as described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Securities are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of the Securities. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

The reference to "dividends" as well as to any other terms in the paragraphs below means dividends or any other term as understood in Polish and Dutch tax law.

The tax flow chart included below is only a general overview of dividend flow within the Group and should not be treated as an exhaustive information.

Taxation in Poland

Personal Income Tax and Corporate Income Tax

Taxation of Income from the Disposal of Securities Earned by Individuals Who Are Polish Tax Residents (ie subject to unlimited tax liability in Poland)

Pursuant to Art. 3 section 1 of the Personal Income Tax Act (the "PIT Act"), natural persons who reside within the territory of the Republic of Poland are required to pay tax on all their income (revenue) regardless of the location of the source of revenue (unlimited tax liability). A person residing within the territory of the Republic of Poland is any natural person: (i) whose centre of personal or economic interests (the centre of vital interests) is within the territory of the Republic of Poland; or (ii) who stays within the territory of the Republic of Poland for more than 183 days in any tax year.

Pursuant to Art. 30b section 1 of the PIT Act, income earned in Poland from the disposal of securities (including shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income from the disposal of securities in exchange for consideration is calculated as the difference between the proceeds from the disposal of securities (in principle, the value of the securities at the price set forth in the contract for sale) and the tax-deductible costs (expenditure related to the acquisition of these securities or their subscription). In cases where the price of securities expressed in a contract is, without sound reason, significantly different from the market value thereof, revenue from the disposal of securities in exchange for consideration will be determined by the tax authority as the market value thereof. This income is not aggregated with the individual's other income generated from other sources and is taxed separately. Tax (or tax prepayment) on the abovementioned transaction is not collected by tax remitters. After the end of a given tax year, which in the case of natural persons is the same as the calendar year, taxpayers earning income from the disposal of securities in exchange for consideration are required to disclose this income in their annual tax return, calculate the due amount of tax, and pay it to the account of the appropriate tax office.

In the case of a tax loss generated on the disposal of securities in a given tax year, this loss may decrease the income generated from that source (that is, from the disposal of securities) in the next five consecutive tax years; however, the amount of decrease in a particular year cannot exceed 50% of the loss. The tax loss generated on the disposal of securities is not combined with the tax losses generated by the taxpayer from other titles (sources of revenue).

Annual tax returns are prepared by tax payers by the end of April of the year immediately following the tax year in which the disposal of securities in exchange for consideration was made.

The above regulations do not apply if the securities are sold as a result of the performance of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to general terms.

Taxation of Income Earned from the Disposal of Securities by Individuals Who Are Not Polish Tax Residents (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 3 section 2a of the PIT Act, natural persons who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). Although this does not result directly from the provisions of the law, income from a sale of shares in a foreign company on the Warsaw Stock Exchange should be considered as income earned in Poland.

According to Art. 4a of the PIT Act, the abovementioned regulation should be applied in connection with the double tax treaties to which Poland is a party.

Individuals subject to limited tax liability who earn income from the disposal of securities in exchange for consideration in Poland should follow the same taxation rules governing the disposal of securities as specified above, save as otherwise stated in the Double Tax Treaties. In light of Art. 30b section 3 of the PIT Act, the application of a tax exemption or a lower tax rate resulting from the appropriate Double Tax Treaty is possible, provided that the taxpayer proves his place of residence for tax purposes with a relevant certificate of residence.

Under most tax treaties concluded by Poland, capital gains from the disposal of shares are taxed exclusively in the seller's country of tax residency.

Taxation of Dividend Income and Other Revenues from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 30a section 1 item 4 of the PIT Act, dividend income and other income (revenue) from a share in the profits of legal persons earned by individuals is subject to taxation at a flat rate of 19% of the income earned. Dividend income and other revenues from a share in the profits of legal persons residing in Poland, on which a flat rate tax was charged, are not aggregated with income from any other sources and is not disclosed in the annual tax return.

Pursuant to Art. 41 section 4 of the PIT Act, a flat rate of income tax on payments made or cash or pecuniary values placed at the tax payer’s disposal (such as dividend payments) is charged by the entities which perform such actions. However, given that foreign entities are, in practice, not responsible for withholding Polish income tax, it can be expected that the Polish income tax will not be withheld by such entity. Moreover, given that the term "*person making the payment*" is not precisely defined in the law, under some interpretations issued by the Polish tax authorities, in certain cases Polish banks or Polish brokerage houses maintaining securities accounts may refuse to withhold the tax based on the fact that they are acting only as an intermediary and therefore should not be obliged under Polish law to remit due tax. According to Article 45.3b of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself/herself by 30 April of the following year.

Taxation of Dividend Income and Other Revenues from a Share in the Profits of Legal Persons Earned by Individuals Who Are Not Polish Tax Residents (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 3 section 2a of the PIT Act, individuals who are not Polish tax residents are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland. Dividends paid by a

Dutch company should not be considered as income obtained within the territory of the Republic of Poland, thus non-residents should not be subject to Polish income tax on such income.

Taxation of Income from the Disposal of Securities Earned by Persons Subject to Corporate Income Tax that Have Their Registered Office or Management Board Within the Territory of the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 3 section 1 of the Corporate Income Tax Act (the "CIT Act"), tax payers that have their registered office or Management Board within the territory of the Republic of Poland are required to pay tax on all of their income, irrespective of the location of its source.

Income from the disposal of securities in exchange for consideration earned by legal persons which have their registered office or Management Board in Poland is subject to taxation under the general rules stipulated in the CIT Act. Taxable income from the disposal of securities in exchange for consideration is the difference between the revenues, i.e. the proceeds from the disposal of securities and the tax-deductible costs, i.e. the expenditure related to the acquisition of these securities. If the price of securities expressed in a given contract is, without a justified reason, significantly different from the market value thereof, revenue from the disposal of securities in exchange for consideration will be determined by the tax authority as the market value thereof. Income from the disposal of securities in exchange for compensation is aggregated with the taxpayer's income earned from other sources to form the taxable base. Income from the disposal of securities in exchange for consideration is aggregated with income from any other sources and, pursuant to Art. 19 section 1 of the CIT Act, this income is taxed at a rate of 19% of the taxable base.

Taxation of Income from the Disposal of Securities Earned by Persons Subject to Corporate Income Tax that Do Not Have Their Registered Office or Management Board Within the Territory of the Republic of Poland (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 3 section 2 of the CIT Act, tax payers that do not have their registered office or Management Board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland. Although this does not result directly from the provisions of the law, income from a sale of shares in a foreign company on the Warsaw Stock Exchange should be considered as income earned in Poland.

The persons subject to corporate income tax, subject to limited tax liability, who earn income in Poland from the disposal of securities in exchange for consideration should follow the same taxation rules governing the disposal of securities as specified above, save as otherwise stated in the Double Tax Treaties. Under most tax treaties concluded by Poland, capital gains from the disposal of shares are taxed exclusively in the seller's country of tax residency.

Taxation of Dividend Income and Other Revenues from a Share in the Profits of Legal Persons that Have Their Registered Office or Management Board Within the Territory of the Republic of Poland Earned by Persons Subject to Corporate Income Tax that Have Their Registered Office or Management Board Within the Territory of the Republic of Poland (i.e. subject to unlimited tax liability in Poland)

Pursuant to Art. 20 section 1 of the CIT Act, if taxpayers which are Polish tax residents earn income (revenue) also outside the territory of the Republic of Poland and if that income is taxable in a foreign state and such income is not exempt from taxation, that income (revenue) is combined with the income (revenue) earned in the territory of the Republic of Poland in a tax return for the tax year concerned. If this is the case, the amount equivalent to the tax paid in a foreign state is deducted from the tax due on the aggregate income. However, the deducted amount must not exceed the part of the tax calculated before deduction that is proportionately associated with the income earned in a foreign state.

However, if such foreign income is income from a share in the profits of a company, including a dividend, it can be exempt from Polish income tax, provided certain conditions are met. These conditions, among others, include: (i) the payer of dividends and other revenue from a share in the profits of legal persons is a company whose entire income, irrespective of where it is earned, is subject to income tax in a Member State of the European Union (including the Netherlands) or another Member State of the European Economic Area other than the Republic of Poland, (ii) the recipient of income (revenue) from dividends and other revenue from a share in the profits of legal persons, as referred to in subparagraph 1, is a company that is an income tax payer and has its registered office or Management Board in the territory of the Republic of Poland, (iii) the Polish tax resident income recipient directly holds no less than 10% of shares in the equity of a company paying the income for an uninterrupted period of at least two years, (iv) the income receiving company does not enjoy an exemption from income tax on its entire income, irrespective of the sources from which the income is earned.

The exemption does not apply if dividends or other amounts due on account of a share in the profits of legal persons are paid as a result of the paying company's liquidation.

Taxation of Dividend Income and Other Revenues from a Share in the Profits of Legal Persons that Have Their Registered Office or Management Board Within the Territory of the Republic of Poland Earned by Persons Subject to Corporate Income Tax that Do Not Have Their Registered Office or Management Board Within the Territory of the Republic of Poland (i.e. subject to limited tax liability in Poland)

Pursuant to Art. 3 section 2 of the CIT Act, corporate income tax payers who are not Polish tax residents are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland. Dividends paid by a Dutch company should not be considered as income obtained within the territory of the Republic of Poland, thus non-residents should not be subject to Polish income tax on such income.

Tax on Civil Law Transactions (Transfer Tax) on an Agreement for the Sale of Securities

Pursuant to Art. 1 section 1 item 1 letter a), in conjunction with Art. 1 section 4 of the Tax on Civil Law Transactions Act, transfer tax applies to agreements for the sale or exchange of property and property rights, provided that they cover property located in Poland or property rights exercised in Poland, including securities. In principle, shares in a foreign (non-Polish) company are considered as rights exercisable outside of Poland. These rights are considered to be subject to Tax on Civil Law Transactions only if the buyer has its permanent address or registered seat in Poland and the transaction is concluded in Poland.

Tax liability arises when the civil law transaction (the transfer) is concluded and it is the sole responsibility of the buyer, in the case of a sale agreement, to pay the due tax. The taxable base is the market value of the property or property right. The market value of the subject of the civil law transaction is assessed based on the average prices applied in the trade in property of the same kind and sort, allowing for its location, condition and wear and tear, and in the trade in property rights of the same kind, applicable on the day of such transaction, without deducting debts or charges. As a rule, when selling property rights (including securities) the rate of the tax is set at 1% of the taxable base. Taxpayers are required, without being summoned to do so by the tax office, to file a tax return on tax on civil law transactions, and calculate and pay the due amount of tax within 14 days of the tax liability arising, unless the tax is collected by a tax remitter who is a notary public in the case of civil law transactions concluded in the form of a notarial deed.

Simultaneously, under Art. 9 item 9 of the Tax on Civil Law Transactions Act, the sale of property rights which are financial instruments: (i) to investment companies or foreign investment companies, or (ii) through the intermediation of investment companies or foreign investment companies, or (iii) through organised trading, or (iv) outside organised trading by investment companies or foreign investment companies if such financial instruments were acquired by such companies as a part of organised trading, within the meaning of the Act on Trading in Financial Instruments, is exempt from tax on civil law transactions.

Taxation of Gifts and Inheritance

Pursuant to Art. 2 of the Gifts and Inheritance Tax Act, the Polish tax on inheritance, gifts and donations is paid by natural persons (individuals) who received title to property rights exercised outside the territory of Poland (including, inter alia, shares in foreign companies) by right of succession, as a legacy, further legacy, testamentary instruction or gift only if the acquirers were Polish citizens or had a permanent place of stay within the territory of Poland at the moment of acquiring these property rights.

The taxable base is the value of the property rights received after deducting the debts and charges (i.e. the net value), assessed based on the condition of the property rights on the day of their receipt and based on the market prices applicable on the day the tax liability arose. The tax amount is calculated according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship with the person from whom the property rights were received or inherited. Inheritances and gifts are taxed at a progressive rate from 3% to 20% of the taxable base, depending on the tax group to which the recipient was assigned. There are certain amounts which are exempt from tax in each group. Except for cases in which the tax is collected and remitted by the tax remitter, taxpayers are required to file a tax return specifying the receipt of the property rights with the competent head of the tax office. The tax return should be accompanied by documents justifying the amount of the taxable base. The tax is paid within 14 days from receiving the decision issued by the head of the tax office assessing the amount of tax liability.

Under Art. 4a, section 1 of the Gifts and Inheritance Tax Act, the receipt of title to property or property rights (including securities) by a spouse, descendant, ascendant, stepson, sibling, stepfather and stepmother is tax exempt, provided that they notify the competent head of the tax office of the receipt of title to the property rights within six months from the date the tax liability arose; in the case of their receipt by right of succession, within six months from the date the court decision on accession to the estate becomes final and binding. In the case of failure to meet the above condition, the receipt of title to the property rights is subject to taxation on general terms.

Rules Governing Liability Related to Withholding Tax

Art. 30 of the Tax Ordinance provides that a tax remitter which fails to meet its obligations of calculating, withholding and paying tax to a tax authority is liable with all its assets for the amount of tax not withheld or the amount of tax withheld but not paid. The above rule does not apply if separate provisions of law provide otherwise, or if the tax was not withheld for reasons attributable to the taxpayer. In the latter case, the relevant tax authority will issue a decision imposing liability on the taxpayer.

Taxation in the Netherlands

Introduction

The following summary outlines certain principal Dutch tax consequences of the acquisition, holding, redemption and disposal of Shares, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For purposes of Dutch tax law, a holder of Shares may include an individual or entity who does not have the legal title of these Shares, but to whom nevertheless the Shares or the income thereof is attributed on the basis of such individual or entity having an interest in the Shares or the income thereof or based on specific statutory provisions.

This summary is therefore intended as general information only and each potential investor should consult a professional tax adviser about the tax consequences of the acquisition, holding, redemption and disposal of Shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Dutch tax consequences for:

(a) holders of Shares holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Company and holders of Shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (a statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Company or of 5% or more of the issued capital of a certain class of shares of the Company, (ii) rights to acquire, directly or indirectly, such interest, or (iii) certain profit sharing rights in the Company;

(b) investment institutions (*fiscale beleggingsinstellingen*);

(c) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Dutch corporate income tax;

(d) persons to whom Shares and the income therefrom are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Dutch Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(e) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba;

(f) holders of Shares which are not considered the beneficial owner (*uiteindelijk gerechtigde*) of these Shares or the benefits derived from or realised in respect of these Shares;

(g) individuals to whom Shares or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands; and

(h) (corporate holders of Shares who qualify for the participation exemption (*deelnemingsvrijstelling*). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital and is not considered a portfolio investment which is not a qualifying portfolio investment (*kwalificerende beleggingsdeelneming*).

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable there.

Dividend tax

Withholding of dividend tax

The Company is required to withhold 15% Dutch dividend tax in respect of dividends paid on Shares. In the Dutch Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*) dividends are defined as the proceeds from Shares which include:

(a) direct or indirect distributions of profit, regardless of their name or form;

(b) liquidation proceeds, proceeds on redemption of Shares and, as a rule, the consideration for the repurchase of Shares by the Company in excess of its average paid-in capital recognised for Netherlands dividend tax purposes, unless a particular statutory exemption applies;

(c) the nominal value of Shares issued to a holder of Shares or an increase in the nominal value of Shares, to the extent that the nominal value of Shares or the increase thereof is not funded out of the Company's paid-in capital recognised for Netherlands dividend tax purposes; and

(d) partial repayments of paid-in capital recognised for Dutch dividend tax purposes, if and to the extent there are qualifying profit (*zuivere winst*), unless the General Meeting has resolved in advance to make such repayment and provided that the nominal value of the Shares concerned has been reduced by an equal amount by way of an amendment of the Company's articles of association.

Credit for residents of the Netherlands

If a holder of Shares is a resident or deemed to be a resident of the Netherlands for Dutch corporate or personal income tax purposes, Dutch dividend tax which is withheld with respect to proceeds from Shares will generally be creditable for Dutch corporate income tax or Dutch income tax purposes.

Relief or refund for non-residents of the Netherlands

If a holder of Shares is a resident of a country other than the Netherlands, and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Dutch dividend tax.

Dutch dividend tax upon redistribution of foreign dividends

Provided certain conditions are met, the Company may not be required to transfer to the Dutch tax authorities a portion of the Dutch dividend tax withheld from certain qualifying dividends distributed by the Company, if the Company has itself received dividends from certain qualifying non-Dutch subsidiaries, which dividends are exempt from Dutch corporate income tax and which dividends were subject to a withholding tax of at least 5% upon distribution to the Company. The Dutch dividend tax which the Company may not be required to transfer, is equal to the lesser of:

(a) 3% of the amount of the dividends distributed by the Company that are subject to Dutch dividend tax; and

(b) 3% of the gross amount of the dividends received during a certain period from the qualifying non-Dutch subsidiaries.

For the sake of clarity, the reduction is applied to the Dutch dividend tax that the Company must pay to the Dutch tax authorities and not to the amount of the Dutch dividend tax that the Company must withhold.

Corporate and personal income tax

Residents of the Netherlands

If a holder of Shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch corporate income tax purposes and is fully subject to Dutch corporate income tax or is only subject to Dutch corporate income tax in respect of an enterprise to which Shares are attributable, income derived from Shares and gains realised upon the redemption or disposal of Shares is generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual holder of Shares is a resident of the Netherlands, deemed to be a resident of the Netherlands for Dutch personal income tax purposes or who has opted to be treated as a resident of the Netherlands for personal income tax purposes, income derived from Shares and gains realised upon the redemption or disposal of Shares is taxable at the progressive rates (at up to a maximum rate of 52%) under the Dutch Income Tax Act 2001 if:

(a) such holder is an entrepreneur (*ondernemer*) and has an enterprise to which Shares are attributable or such holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise Shares are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to Shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (a) nor (b) above applies, an individual that holds Shares will be subject to Dutch income tax on the basis of a deemed return on income from savings and investments (*sparen en beleggen*) rather than on the basis of income actually earned or realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of Shares less the fair market value of certain qualifying liabilities at the beginning of the calendar year. The fair market value of Shares will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a flat rate of 30%.

Non-residents of the Netherlands

If a holder of Shares is not a resident of the Netherlands, deemed to be a resident of the Netherlands for Dutch corporate or personal income tax purposes, nor has opted to be treated as a resident of the Netherlands for personal income tax purposes, such holder is not liable to Dutch income tax in respect of income derived from Shares and gains realised upon the redemption or disposal of Shares, unless:

(a) such holder is not an individual and such holder: (i) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or a permanent representative Shares are attributable; or (ii) is other than by way of securities entitled to a share in the profit of an enterprise or a co-entitlement to the net worth of an enterprise which is effectively managed in the Netherlands and to which enterprise Shares are attributable. This income is subject to Dutch corporate income tax at up to a maximum rate of 25%;

(b) such holder is an individual and such holder: (i) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative Shares are attributable; or (ii) realises income or gains with respect to Shares that qualify as income from miscellaneous activities in the Netherlands which include activities with respect to Shares that exceed regular, active portfolio management; or (iii) is other than by way of securities entitled to a share in the profit of an enterprise that is effectively managed in the Netherlands and to which enterprise Shares are attributable.

Income derived from Shares as specified under (i) and (ii) by an individual is subject to Dutch income tax at progressive rates up to a maximum rate of 52%. Income derived from a share in the profit as specified under (iii) that is not already included under (i) or (ii) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "- Residents of the Netherlands"). The fair market value of such share in the profit of an enterprise (which includes Shares) will be part of the individual's Dutch yield basis.

Gift and inheritance tax

Residents of the Netherlands

Generally, gift tax or inheritance tax (*schenkbelasting of erfbelasting*) will be due in the Netherlands in respect of the acquisition of Shares by way of a gift by, or on behalf of, or on the death of, a holder of Shares that is a resident or deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 at the time of the gift or his or her death. A gift made under a condition precedent is for purposes of the Dutch Gift and Inheritance Tax Act 1956 deemed to be made at the time the condition precedent is fulfilled and is subject to gift tax if the donor is, or is deemed to be, a resident of the Netherlands at that time.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956 if he or she has been resident in the Netherlands and makes a gift within a 12-month period after leaving the Netherlands. The same 12-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

Non-residents of the Netherlands

No gift or inheritance tax will be due in the Netherlands in respect of the acquisition of Shares by way of a gift by, or as a result of the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956. However, inheritance tax will be due in the case of a gift of Shares by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands for the purposes of Dutch gift or inheritance tax, but such holder dies within 180 days after the date of the gift and at the time of his or her death is a resident or deemed to be a resident of the Netherlands for the purposes of the Dutch Gift and Inheritance Tax Act 1956. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

Value added tax

In general, no value added tax will arise in respect of payments in consideration for the issue of Shares or in respect of a cash payment made under Shares, or in respect of a transfer of Shares.

Other taxes and duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder of Shares in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of Shares.

Dividend flow overview

The Company may receive dividends from its subsidiary companies. The overview below depicts in general the taxation on corporate income and on the distribution of dividends by the Company and its subsidiary companies. This overview is intended as general information only, the actual taxation depends on the specific situation at hand.

In general, Dutch companies have to withhold 15% dividend withholding tax on dividend distributions to its Shareholders. This may be different if such shareholder is qualified for a preferential dividend withholding tax rate or tax exemption under an applicable tax treaty, domestic law or the Parent-Subsidiary Directive, or if specific anti-tax abuse legislation applies. It may be possible for non-resident individuals or companies to offset the dividend withholding tax against (personal) income tax. This depends on both domestic legislation in his state of residence and/or an applicable tax treaty. Therefore each potential investor should consult a professional tax adviser about the tax consequences of the acquisition, holding, redemption and disposal of Shares.

Taxation in the People's Republic of China

PRC enterprise income tax:	The standard enterprise income tax rate applicable to the Group's Chinese subsidiaries is 25%. Fujian Peixin has been enjoying a lowered tax rate of 15%, which may possibly expire on 31 December 2013.
PRC withholding tax on dividend:	Dividends distributed by the Group's Chinese subsidiaries are subject to 10% withholding tax on dividends in PRC.

Taxation in the British Virgin Islands

BVI corporate income tax:	There are no corporate income taxes on the British Virgin Islands.
BVI withholding tax on dividend:	There is no withholding tax on dividend on the British Virgin Islands.

Taxation in the Netherlands

Dutch corporate income tax:	Dividends, currency gains and capital gains from the shares in Peixin International BVI are exempt from Dutch corporate income tax if the Dutch participation exemption applies. If the Dutch participation exemption does not apply, dividends, currency gains and capital gains are taxed at the standard corporate income tax rate of 20% - 25%. Under circumstances, a foreign tax credit may apply.
Dutch withholding tax on dividend:	Dividends distributed by the Company are generally subject to 15% withholding tax on dividends in the Netherlands, unless Shareholder is qualified for a preferential dividend withholding tax rate or tax exemption under an applicable tax treaty, domestic law or the Parent-Subsidiary Directive or if specific anti tax abuse legislation applies.

Transfer of the proceedings from the Offering

This paragraph describes the potential tax consequences regarding transfer of the proceeds from the Offering by way of capital contribution to Fujian Peixin and Quanzhou Peixin.

The Netherlands

Under Dutch tax law no tax is levied on a capital contribution by the Company to Peixin BVI. From a Dutch tax perspective it is irrelevant whether the capital is subsequently contributed to either Fujian Peixin or Quanzhou Peixin. The return on capital, in the form of dividends or capital gains, may be exempted for corporate income tax purposes under the application of the Dutch participation exemption.

British Virgin Islands Taxation

Under the current laws of the British Virgin Islands, Peixin Internatinal BVI is not subject to British Virgin Islands tax on income or capital gains. In addition, payment of dividends is not subject to withholding tax in the British Virgin Islands.

People's Republic of China

A contribution of capital (increasing registered capital) to Chinese companies would not lead to a material tax burden or additional charges in the PRC, except for stamp duty. According to PRC law, stamp duty is payable by Fujian Peixin or Quanzhou Peixin at a rate of 0.05% of the total amount of the paid-in capital and the capital reserve. However the following points of interest should be taken into consideration.

The contribution of capital (i.e. increase of registered capital) shall be made and contributed by its direct shareholder (Peixin International BVI), otherwise this would result in a change of the shareholding structure. This option would affect the ability of either Fujian Peixin or Quanzhou Peixin to make dividend distribution. Furthermore, an additional capital contribution must first be approved by the competent government authority.

ADDITIONAL INFORMATION

Documents available for inspection

From the date of publication, and throughout the time it remains valid, the Prospectus, with all the supplements and update communications, if any, will be available on the Company's website (www.peixin.com), in addition, printed version of the Prospectus, with all the supplements and update communications, if any, will be available in our registered office. In addition, during the same time the following documents will be available on the Company's website:

- the Company's Articles of Association;
- the By-Laws of the Management Board and the Supervisory Board;
- Consolidated Financial Statements

Independent certified auditors

BDO Audit & Assurance B.V., Krijgsman 9, 1186 DM Amstelveen, the Netherlands has audited the Consolidated Financial Statements for the years ended 31 December 2010, 2011 and 2012 and issued an unqualified auditor's opinion with respect thereto. Furthermore, BDO Audit & Assurance B.V. reviewed the Consolidated Interim Financial Statements for the six months period ended 30 June 2013 and issued a review report.

BDO Audit & Assurance B.V. has a licence from The Netherlands Authority for the Financial Markets (AFM) for performing statutory audits in accordance with the Audit Firms Oversight Act and is registered under licence number: 13000311. The audit of the Consolidated Financial Statements and the review of the Interim Financial Statements was conducted by J.A. de Rooij RA (NBA registration number: 10707), who acted on behalf of BDO Audit & Assurance B.V. There were no events of resignation or dismissal of a certified auditor appointed to audit the financial statements of the Company or the Group in the period covered by the Consolidated Financial Statements included in this Prospectus.

Entities involved in the Offering

The entities indicated below are involved in the Offering:

Lead Manager

The role of the Lead Manager, the Sole Bookrunner and the Offering Agent will be performed by Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, ul. Puławska 15, 02-515 Warsaw, Poland. The Lead Manager is responsible for the coordination of work necessary to prepare and conduct the Offering.

The Lead Manager's fee is closely related to the proceeds of the sale of the shares. In connection with the Offering, the Lead Manager provides services to the Company, including preparation, management and conducting of the Offering, as well as with other tasks that are typically performed by investment companies under public share offerings. The Lead Manager does not hold any material interests in the Company. In particular, on the date of this Prospectus it did not hold any shares of the Company.

Legal Advisor to the Company

In connection with the Offering, legal services to the Company are provided by Allen & Overy, A. Pędzich sp. k., with its registered office in Warsaw at Rondo ONZ 1, 00-124 Warsaw, Poland, with respect to Polish law and Allen & Overy LLP, Apollolaan 15, 1077 AB Amsterdam, PO Box 75440, Amsterdam, 1070 AK, Netherlands with respect Dutch law (together "Allen & Overy"). The remuneration of Allen & Overy is not linked to the amount of the proceeds from the Offering. Allen & Overy has been rendering and may render to the Company legal services with respect to their activities under the relevant agreements for the provision of legal advisory services.

Furthermore, in connection with the Offering, legal services to the Company are provided by Trend Law Firm, Unit 13A-C, World Plaza, No.855 South Pudong Road, Shanghai 200120, P.R.China ("Trend"). The remuneration of Trend is not linked to the amount of the proceeds from the Offering. Trend has been rendering and may render to the Company legal services with respect to their activities under the relevant agreements for the provision of legal advisory services.

Legal Advisor to the Lead Manager

In connection with the Offering, legal services to the Lead Manager are provided by: Weil, Gotshal & Manges – Paweł Rymarz Spółka komandytowa, with its registered office in Warsaw and postal address Emilii Plater 53, Warsaw, Poland, as to matters of Polish law; and Weil, Gotshal & Manges, with its registered office in London at 110 Fetter Lane, London, EC4A 1AY, the United Kingdom, as to matters of UK law (together "Weil"). The remuneration of Weil does not depend on the proceeds from the issuance of the Offer Shares. In addition, Weil has been rendering and may render to the Lead Manager other legal services with respect to their activities under the relevant agreements for the provision of legal advisory services.

Information from experts

Except for the generally available information published, inter alia, used in the "*Industry Overview*" section of this Prospectus, no information construed as expert representations or reports has been used in the Prospectus. Such information has been quoted accurately and, as far as the Company is aware and to the extent that it may determine based on the information published by the experts, no fact has been omitted that could make the quoted information inaccurate or misleading.

ABBREVIATIONS AND DEFINITIONS

Act on Trading or Act on Trading in Financial Instruments	Polish Act on Trading in Financial Instruments dated 29 July 2005 (as amended)
AFM	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten)*
AIC	State Adminitration for Industry and Commerce
Allen & Overy	Allen & Overy, A. Pędzich sp.k., with its registered office in Warsaw at Rondo ONZ 1, Warsaw 00-124, Poland, Allen & Overy LLP, with its registered office in London at One Bishop Square, London E1 6AD, United Kingdom and Allen & Overy LLP at Apollolaan 15, 1077 AB Amsterdam, Netherlands, with respect to Dutch law
Annual Financial Statements	the English-language consolidated annual report of the Peixin International BVI's group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 including the independent auditor's report on the audit of these consolidated financial statements
Arbitration Law	Arbitration Law of the PRC promulgated by the Standing Committee of the NPC on 31 August 1994
Articles Of Association	the articles of association of the Company as they will read after the expected execution of the Deed of Amendment prior to Admission
BVI	The British Virgin Islands
Management Board	the Management Board of the Company
CAGR	Compound Annual Growth Rate. It indicates the growth rate on an annualized basis.
CCB	Chinese Commercial Bank
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China or **PRC**	The People's Republic of China excluding, for the purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
Civil Procedure Law	the Civil Procedure Law of the People's Republic of China adopted on 9 April 1991
CIT Act	Polish Corporate Income Tax Act, dated 15 February 1992 (as amended)
CNHPIA	China National Household Paper Industry Association

Company	Peixin International Group N.V., a limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands registered with the Trade Registry of the Chamber of Commerce under number 58288449
Consolidated Financial Statements	Annual Financial Statements and Interim Financial Statements
CSRC	China Securities and Regulatory Commission
Directors	the members of the Management Board
Dutch Civil Code	the Dutch Civil Code (*Burgerlijk wetboek*)
Dutch Corporate Governance Code	the Dutch Corporate Governance Code, as amended
Dutch Financial Supervision Act	The Dutch Financial Supervision Act and the rules promulgated thereunder (*Wet op het financieel toezicht*)
EBITDA	Earnings before interest, tax, depreciation and amortisation
EIT Law	Enterprise Income Tax Law in the PRC
EUR	Euro
FIE	Foreign invested enterprise
FIE Tax Law	Foreign Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法), which was promulgated by the National People's Congress on 9 April, 1991, became effective on 1 July 1991 and was abolished on 1 January 2008
Foreign Invested Enterprise Law	Law of the People's Republic of China on Foreign-funded Enterprises （中華人民共和國外資企業法, which was approved by the Fourth Session of the Sixth National People's Congress on 12 April 1986, revised in accordance with the Decision to Revise the Foreign Capital Enterprises Law of the People's Republic of China made at the 18th meeting of the Standing Committee of the Ninth National People's Congress on 31 October 2000, promulgated by Order No. 41 of the President of the People's Republic of China to go into effect on the day it is promulgated
Fujian Peixin	Fujian Peixin Machine Manufacture Industry Co., Ltd
GDP	Gross Domestic Product
GRP	Gross Regional Product, the final products at market prices produced by all resident units in a region during a certain period of time
General Meeting	the general meeting of Shareholders
Group or Peixin Group	Capital group which includes the Company and its subsidiaries.

	However, due to the fact that the Company was incorporated on 2 July 2013 the references to the Group are also, depending on the circumstances and the context in which they are used, references to the Peixin International BVI and its subsidiaries.
Guidance	Guidance on Recognition of HNTE jointly issued by the MST, MOF and SAT on 8 July 2008
HKD	Hong-Kong Dollars
HNTE	high new tech enterprise
IFRS	International Financial Reporting Standards as adopted by the European Union
Institutional Investors	investors authorised to participate in the bookbuilding process or to subscribe for the Offer Shares who received invitations to subscribe for the Offer Shares
Interim Financial Statements	the English-language consolidated interim financial statements of the Peixin International BVI's group for the six months ended 30 June 2013
Interim Regulations on Grant and Transfer	Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Urban Land primlgated in May 1990
IP	intellectual property
Labour Contract Law	Labour Contract Law of the PRC (中華人民共和國勞動合同法) enacted by the Standing Committee of the National People's Congress on 29 June 2007 which became effective on 1 January 2008
Labour Law	Labour Law of the PRC (中華人民共和國勞動法) which was promulgated by the Standing Committee of the National People's Congress on 5 July 1994 and became effective on 1 January 1995
Lead Manager or Sole Bookrunner or Offering Agent	Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie
Listing Shares	up to 16,000,000 Shares, comprising the Offer shares and 12,000,000 Shares held by the current Shareholders
M&A Provisions	Regulations on Foreign Investors Merging with or Acquiring Domestic Enterprises (關於外國投資者併購境內企業的規定) issued jointly by the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission and the State Administration of Foreign Exchange on 8 August 2006, which became effective on 8 September 2006 and was amended on 22 June 2009

Market Abuse Decree	Decree on Market Abuse pursuant to the Dutch Financial Supervision Act (*Besluit marktmisbruik Wft*)
MOF	The Ministry of Finance of the PRC
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)
MST	The Ministry of Science and Technology of the PRC
NDS	National Depositary for Securities in Poland (*Krajowy Depozyt Papierów Wartościowych S.A.)*
NBSC	the National Bureau of Statistics in China
New York Convention	the Convention on the Recognition and Enforcement of Foreign Arbitral Award adopted on 10 June 1958
NPC	the National People's Congress of the PRC
Offer Shares	up to 4,000,000 Shares
Offer Period	For Retail Investors the offer period commencing on 18 September 2013 and expected to end on 25 September 2013 and for the Institutional Investors the offer period commencing 27 September 2013 and expected to end on 1 October 2013
Offer Price	The issue price of Offer Shares in the Offering
Offering	The offering of the Offer Shares by way of a public offering in Poland
Parent – Subsidiary Directive	Council Directive 90/435/EEC of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States
Peixin International BVI	Peixin International Group Limited
PFSA or PFSC	The Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*)
PIT Act	Polish Personal Income Tax Act, dated 26 July 1991 (as amended).
Placement Agreement	a placement agreement in respect of the Offering entered into on 12 September 2013 between the Company, its Principal Shareholder, the Company's current minority shareholders: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited as well as Fujian Peixin and Quanzou Peixin and the Offering Agent
PLN	Polish zloty, the lawful currency in Poland
Polish Public Offerings Act or **Act on Public Offerings**	Polish Act dated 23 July 2005 on Public Offering, Conditions Governing the Introduction of financial instruments to Organised Trading and on Public Companies

PRC Companies law	the Company Law of the PRC (中華人民共和國公司法) as enacted by the Standing Committee of the 8th National People's Congress on 29 December 1993, which became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
PRC Constitution	the Constitution of the PRC (中華人民共和國憲法) which as enacted by the National People's Congress on 4 December 1982, which became effective on the same date, as amended, supplemented or otherwise modified from time to time
PRC GAAP	the generally accepted accounting principles in the PRC
PRC government	the central government of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
Principal Shareholder or **Selling Shareholder**	Mr Qiulin Xie
Polish Institutional Offering	a public offering to institutional investors in the Republic of Poland
Prospectus	this document
Prospectus Directive	the EU Prospectus Directive (2003/71/EC)
QIB	a qualified institutional buyer within the meaning of Rule 144A
Quanzhou Peixin	Quanzhou Peixin Machine Manufacture Industry Co., Ltd
R&D	research and development
Regulation S	Regulation S under the U.S. Securities Act
Retail Investors	Individual and corporate entities (legal persons) and non-corporate entities other than individuals, not being Institutional Investors, who intend to purchase the shares
Retail Offering	a public offering to retail investors in the Republic of Poland
RMB or **Renminbi**	the lawful currency of the PRC
Rule 144A	Rule 144A under the U.S. Securities Act
SAFE	The State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
SAFE	see State Administration of Foreign Exchange
SAIC	State Administration of Industry and Commerce（國家工商行政管理局）
SAT	State Administration of Taxation of the PRC

Shareholders	shareholders in the Company
SEC	the United States Securities and Exchange Commission
Shares	ordinary shares in our Company with a nominal value of EUR 1 each
SIPO	State Intellectual Property Office of the PRC
SOE	State-owned enterprise
SPV	offshore special purpose vehicle
Supervisory Board	a Supervisory Board of the Company
Takeover Directive	Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004.
Tort Liability Law	PRC Tort Liability Law taking effect in July 2010, subjecting the manufacturer to statutory liability.
TRE	tax resident enterprise
Trend	Trend Law Firm, Unit 13A-C, World Plaza, No. 855 South Pudong Road, Shanghai 200120, P.R.China
TRIP	Agreement on Trade-Related Aspects of Intellectual Property Rights
Urban Real Estate Law	the PRC Law on Administration of Urban Real Estate
USD	US Dollars
U.S. Securities Act	the United States Securities Act of 1933, as amended
Weil	Weil, Gotshal & Manges – Paweł Rymarz Spółka komandytowa with its registered office in Warsaw at ul. Emilii Plater 53
WFOE	wholly foreign-owned enterprise
WSE	Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*)
WSE Code of Best Practices	"Best Practices of WSE Listed Companies" being a collection of rules and recommendations concerning Corporate Governance applicable on the WSE
Wft	Dutch Act on Financial Supervision (*Wet op het financieel toezicht*).
WTO	World Trade Organisation
VAT	Value Added Tax

INDEX TO FINANCIAL STATEMENTS

PEIXIN INTERNATIONAL GROUP LTD.

Consolidated Financial Statements

For the years ended 31 December 2010, 2011 and 2012

(Prepared under International Financial Reporting Standards)

<u>PEIXIN INTERNATIONAL GROUP LTD.</u>

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

	NOTES	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Revenue	8	19,740	32,839	46,509
Cost of sales	9	(12,817)	(20,845)	(29,619)
Gross profit		6,923	11,994	16,890
Other income	10	155	159	200
Distribution and selling expenses	11	(656)	(817)	(1,025)
Administrative expenses	12	(816)	(947)	(1,219)
Research and development expenses	13	(701)	(782)	(1,019)
Profit from operations		4,905	9,607	13,827
Other gains and losses	14	36	18	(53)
Finance costs	15	(118)	(169)	(247)
Profit before tax		4,823	9,456	13,527
Income tax expense	16	(675)	(1,261)	(2,158)
Profit for the year	17	4,148	8,195	11,369
Other comprehensive income				
-currency translation differences		1,036	1,406	(270)
Total comprehensive income for the year		5,184	9,601	11,099
Attributable to:				
Owner of the Company		5,184	9,601	11,099
Earnings per share - basic (EUR)	20	83	164	227

PEIXIN INTERNATIONAL GROUP LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2010, 2011 AND 2012

	NOTES	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Non-current assets				
Property, plant and equipment	21	9,069	9,533	9,574
Prepaid lease payments	22	954	1,006	965
Investment properties	23	712	720	659
Deferred tax assets	24	6	-	-
Other deferred assets	25	796	1,022	810
		11,537	12,281	12,008
Current assets				
Inventories	26	4,198	7,044	6,734
Trade and other receivables	28	1,167	3,161	4,429
Prepaid lease payments	22	21	23	22
Related parties receivables	29	148	480	-
Pledged bank deposits	30	143	-	-
Bank balances and cash	30	1,875	4,014	11,435
		7,552	14,722	22,620
Current liabilities				
Trade and other payables	31	1,534	2,594	2,210
Advance from customers	32	1,424	1,096	3,582
Income tax payable		167	517	672
Bank borrowings	33	3,060	3,498	4,034
		6,185	7,705	10,498
Net current assets		1,367	7,017	12,122
Total assets less current liabilities		12,904	19,298	24,130
Non-current liability		-	-	-
Net asset		12,904	19,298	24,130
Capital and reserves				
Share/paid-in capital	34	41	41	41
Reserves	35	12,863	19,257	24,089
Total equity		12,904	19,298	24,130

The consolidated financial statements on page 2 to 43 were approved and authorized for issue by the Board of Directors on 15 April, 2013 and are signed on its behalf by:

DIRECTOR DIRECTOR DIRECTOR

PEIXIN INTERNATIONAL GROUP LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

	Attributable to Owners of the Company					
	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	(Note34)	(Note35)	(Note35)	(Note35)	(Note35)	
Balance at 1 January 2010	41	3,302	7	340	5,154	8,844
Profit for the year	-	-	-	-	4,148	4,148
Other comprehensive income for the year	-	-	1,036	-	-	1,036
Appropriation to statutory surplus reserve	-	-	-	459	(459)	-
Payment of dividends	-	-	-	-	(1,124)	(1,124)
Balance at 31 December 2010	41	3,302	1,043	799	7,719	12,904
Profit for the year	-	-	-	-	8,195	8,195
Other comprehensive income for the year	-	-	1,406	-	-	1,406
Appropriation to statutory surplus reserve	-	-	-	831	(831)	-
Payment of dividends	-	-	-	-	(3,207)	(3,207)
Balance at 31 December 2011	41	3,302	2,449	1,630	11,876	19,298
Profit for the year	-	-	-	-	11,369	11,369
Other comprehensive income for the year	-	-	(270)	-	-	(270)
Appropriation to statutory surplus reserve	-	-	-	-	-	-
Payment of dividends	-	-	-	-	(6,267)	(6,267)
Balance at 31 December 2012	41	3,302	2,179	1,630	16,978	24,130

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
OPERATING ACTIVITIES			
Profit before tax	4,823	9,456	13,527
Adjustments for:			
Finance cost	118	169	247
Interest income	(15)	(31)	(35)
Depreciation of property, plant and equipment	832	869	961
Amortization of prepaid lease payments	21	21	23
Amortization of investment properties	44	44	48
Amortization of other deferred assets	69	125	196
(Gain) loss on disposal of property, plant and equipment	(32)	10	-
Operating cash flows before movements in working capital	5,860	10,663	14,967
(Increase) decrease in inventories	(944)	(2,846)	310
(Increase) in trade and other receivables	(464)	(1,994)	(1,268)
(Increase) decrease in related parties receivables	(148)	(332)	480
Decrease in pledged bank deposits	469	143	-
(Increase) in other deferred assets	(558)	(272)	-
Increase (decrease) in trade and other payables	(58)	1,060	(384)
Increase (decrease) in advance from customers	520	(328)	2,486
(Decrease) in related parties liabilities	(36)	-	-
Cash generated from operations	4,641	6,094	16,591
Income taxes paid	(612)	(951)	(1,991)
NET CASH FROM OPERATING ACTIVITIES	4,029	5,143	14,600
INVESTING ACTIVITIES			
Interest received	15	31	35
Purchase of property, plant and equipment	(2,331)	(707)	(1,184)
Prepayment on prepaid lease payments	(26)	-	-
Proceeds on disposal of property, plant and equipment	150	54	-
NET CASH USED IN INVESTING ACTIVITIES	(2,192)	(622)	(1,149)

CONSOLIDATED STATEMENTS OF CASH FLOW-CONTINUED

FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
FINANCING ACTIVITIES			
Interest paid	(118)	(169)	(247)
Dividends paid	(1,124)	(3,207)	(6,267)
New bank loans raised	3,916	3,166	4,094
Repayment of borrowings	(3,249)	(2,988)	(3,484)
NET CASH USED IN FINANCING ACTIVITIES	(575)	(3,198)	(5,904)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,262	1,323	7,547
Less: Exchange difference	293	816	(126)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	320	1,875	4,014
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	1,875	4,014	11,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

General information

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

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

Group reorganisation and basis of presentation of Consolidated Financial Statements

As at 31 December 2012 and the date of approval of the consolidated financial statements, the Company had the following wholly-owned subsidiaries:

Name of entity	Place and date of establishment	Registered capital	Principal activities
Fujian Peixin (i)	Quanzhou, Fujian Province, PRC 8 November 2006	HKD 28,800,000	Manufacture of daily-use paper machinery
Quanzhou Peixin (ii)	Quanzhou, Fujian Province, PRC 28 November 1994	RMB 5,800,000	Manufacture of daily-use paper machinery

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

- 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 equity) where Mr. Xie being the ultimate controlling party and Quanzhou Licheng Light Industry Machinery Factory (70% share equity). The registered capital was increased to Renminbi 5,800,000 in November 2002 and the entire share equity of Quanzhou Peixin was transferred to the Company in June 2006.

Application of new and revised International Financial Reporting Standards ("IFRSS")

Except as described below, for the years ended 31 December 2010, 2011 and 2012 (the "Periods") the Group has consistently adopted all the new and revised standards, amendments and interpretations (collectively IFRSs) issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as "International Financial Reporting Interpretations Committee" ("IFRIC")) of the IASB as adopted by the European Union ("adopted IFRSs") that are effective for financial year beginning on 1 January 2010 in the preparation of the consolidated financial statements throughout the Periods.

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

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

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

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

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

5. Effective for annual periods beginning on or after 1 July 2011

6. Effective for annual periods beginning on or after 1 January 2012

7. Effective for annual periods beginning on or after 1 January 2013

8. Effective for annual periods beginning on or after 1 January 2015

9. Effective for annual periods beginning on or after 1 July 2012

10. Effective for annual periods beginning on or after 1 January 2014

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

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. The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Foreign currencies

Functional and presentation currency

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

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

With respect to the planned IPO of the company, the shareholders of the company intend to make use of a Dutch stock listed company which will act as parent (holding) company. Therefore the financial statements of the company have been presented in EUR. Translation from RMB to EUR found place at the following rates:

	Period end rates	Average rates
31 December 2010	EUR 1.00= RMB 8.8065	EUR 1.00=RMB 8.9247
31 December 2011	EUR 1.00= RMB 8.1625	EUR 1.00=RMB 9.0168
31 December 2012	EUR 1.00= RMB 8.3176	EUR 1.00=RMB 8.1948

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation in the IPO prospectus of its intended ultimate legal parent as follows:

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

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

(3) Share 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.

Segment reporting

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

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

Revenue recognition

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

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

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

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

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

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

Borrowing costs

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

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

Government grants

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Investment property

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

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

Other deferred assets

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

Leasing

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

The Group as lessor

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

Leasehold land

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairments of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

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.

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.

Significant management judgment in applying accounting policies

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

Allowance for Bad and Doubtful debts

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

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and differed tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2010, 2011 and 2012 amounted to kEUR167, kEUR 517 and kEUR 672 respectively.

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.

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:	Year ended 31/12/2010		Year ended 31/12/2011		Year ended 31/12/2012	
	Unit	kEUR	Unit	kEUR	Unit	kEUR
External customers						
Sanitary napkins machines	39	8,885	45	13,431	64	19,537
Diaper machines	16	5,705	26	9,343	35	16,219
Facial tissue machines	319	4,517	466	7,996	396	7,130
Other paper machines	23	633	29	2,069	67	3,623
		19,740		32,839		46,509

Results:	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Segment gross profit			
Sanitary napkins machines	3,177	5,106	7,161
Diaper machines	2,131	3,512	5,923
Facial tissue machines	1,434	2,684	2,468
Other paper machines	181	692	1,338
	6,923	11,994	16,890

By Geographical Information

	Year ended 31/12/2010		Year ended 31/12/2011		Year ended 31/12/2012	
	Unit	kEUR	Unit	kEUR	Unit	kEUR
Revenue:						
Direct sales						
-Mainland China	141	13,202	261	21,077	328	24,818
-Outside Mainland China	93	2,295	61	2,698	51	2,203
Sales to trading companies	163	4,243	244	9,064	183	19,488
		19,740		32,839		46,509

Revenue

Revenue represents revenue arising on sales of goods.

Revenue is denominated in the following currencies:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Renminbi ("RMB")	17,445	30,141	44,306
United States Dollars ("USD")	2,295	2,698	2,203
	19,740	32,839	46,509

Cost of sales

Cost of sales comprises of purchasing materials, labor costs for personnel employed in production, depreciation and amortization of non-current assets used for production purpose, outsourced manufacturing cost, taxes and surcharges and water and electricity. The following table shows a breakdown of cost of sales for the period under review for each category:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Changes in inventories of finished goods and work in progress	(286)	(2,965)	948
Materials consumed in production	9,777	18,916	23,717
-Glue machines and motors	2,874	6,516	8,312
-Steel	2,094	3,993	5,081
-Electric controllers	1,540	3,039	3,771
-Knife roller\cylinder	506	1,153	950
-Other components	2,214	3,477	4,440
-Auxiliary materials	549	738	1,163
Labor	1,734	2,344	2,470
Depreciation and amortization	676	687	779
Outsourced manufacturing cost	512	817	884
Taxes and surcharges *	33	297	470
Water and electricity	170	293	347
Others	57	65	75
Foreign currency translation difference	144	391	(71)
	12,817	20,845	29,619

* 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).

Other income

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Interest income on bank deposits	15	31	35
Government grant	113	44	85
Rental income	20	19	21
Sales of spare parts	7	65	59
	155	159	200

Distribution and selling expenses

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Staff costs	272	363	461
Marketing and advertising costs	257	293	301
Post-sales services costs	24	39	101
Travelling costs	43	52	99
Others	60	70	63
	656	817	1,025

Administrative expenses

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Staff costs	274	286	326
Depreciation and amortization charges	230	310	401
Entertainment and office expenses	105	119	210
Miscellaneous taxes	142	159	186
Others	65	73	96
	816	947	1,219

Research and development expenses

Research and development expenses comprise following expenses:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Materials	247	282	482
Staff costs	399	437	453
Outsourced costs	47	53	73
Depreciation charges	8	10	11
	701	782	1,019

Other gains and losses

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Gain / (losses) on disposals of property, plant and equipment	32	(10)	-
Bad debt loss	-	-	(54)
Foreign exchange gain, net	4	27	1
Others	-	1	-
	36	18	(53)

Finance costs

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Interest expenses on bank borrowings wholly repayable within one year	118	169	247

Bank borrowings interests are charged on interest rates of 6.000% to 6.560%, 5.560% to 6.560%, 4,779% to 5.841%, per annum during the years ended 31 December 2012, 2011 and 2010 respectively.

Bank loans	Amount kEUR	Period		Interest rate	Interest
#1	126	2009-11-03	2010-11-09	4.779%	6
#2	691	2009-11-10	2010-11-12	4.779%	22
#3	306	2009-12-23	2010-12-22	4.779%	16
#4	204	2009-12-23	2010-12-22	4.779%	10
#5	817	2009-08-19	2010-08-24	5.841%	34
#6	945	2010-07-06	2010-11-16	5.310%	17
#7	176	2010-11-15	2011-11-30	5.56%	10
#8	2,271	2010-11-22	2011-11-21	5.56%	123
#9	613	2010-12-24	2011-11-16	5.56%	30
#10	178	2011-11-03	2012-11-02	6.56%	11
#11	1,887	2011-11-21	2012-11-21	6.56%	122
#12	656	2011-11-24	2012-11-24	6.56%	43
#13	777	2011-12-05	2012-12-04	6.56%	50
#14	601	2012-07-09	2013-07-09	6.56%	19
#15	174	2012-11-05	2013-11-05	6.00%	2
#16	1,851	2012-11-21	2013-11-21	6.00%	12
#17	646	2012-11-27	2013-11-27	6.00%	4
#18	762	2012-12-05	2013-12-05	6.00%	3
					534

The detailed information of the bank loans (#7 - #18) is set out in Note 33.

Income tax expense

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Current tax:			
PRC enterprise income tax	668	1,255	2,158
Deferred tax: (Note 24)			
Current year	7	6	-
	675	1,261	2,158

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

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

The applicable enterprise income tax rate of Quanzhou Peixin is 25%. At 31 December 2010, 2011 and 2012, Quanzhou Peixin has unrecognized tax losses and no income tax was charged for the years ended 31 December 2010, 2011 and 2012.

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

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Profit before tax	4,823	9,456	13,527
Tax calculated at domestic tax rates applicable to profits in PRC (2010, 2011 and 2012: 25%)	1,206	2,364	3,382
Tax effect of expenses not deductible for tax purpose	44	45	66
Tax effect of additional expenses deductible for tax purpose	(7)	(6)	-
Tax effect of tax loss of Quanzhou Peixin for which no deferred income tax asset was recognized	70	79	104
Effect of lower tax rate in Fujian Peixin	(638)	(1,221)	(1,394)
Tax charge for the year	675	1,261	2,158

Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Cost of inventories recognized as expenses	12,783	20,547	29,149
Depreciation of PPE	832	869	961
Amortization of prepaid lease payments	21	21	23
Amortization of investment properties	44	44	48
Amortization of other deferred assets	69	125	196
Total depreciation and amortization	966	1,059	1,228

Employees' emoluments

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Salaries and other short-term benefits	2,591	3,321	3,584
Defined contribution benefit schemes	87	108	126
Total employee benefits expense (including directors' emoluments)	2,678	3,429	3,710

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.

Directors' emoluments

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

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Directors' emoluments			
- Salaries			
Xie Qiu Lin	58	65	76
	58	65	76
- Social Welfare			
Xie Qiu Lin	*	*	1
	*	*	1

* Amount less than EUR 1,000.

Earnings per share

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	EUR	EUR	EUR
Basic earnings per share			
From continuing operations	83	164	227
Total basic earnings per share	83	164	227

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

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	4,148	8,195	11,369

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	50,000	50,000	50,000

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

Property, plant and equipment

	Plant & buildings	Machinery &equipment	Electronic equipment	Office equipment	Motor vehicles	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
COST						
At 1 January 2010	5,277	3,611	164	277	254	9,583
Additions	89	1,914	62	202	64	2,331
Disposals	-	(1,584)	-	-	-	(1,584)
Translation adjustment	594	411	20	34	29	1,088
At 31 December 2010	5,960	4,352	246	513	347	11,418
Additions	18	667	5	17	-	707
Disposals	-	(488)	-	-	-	(488)
Translation adjustment	472	362	19	43	28	924
At 31 December 2011	6,450	4,893	270	573	375	12,561
Additions	1,055	120	4	5	-	1,184
Disposals	-	-	-	-	-	-
Translation adjustment	(136)	(93)	(5)	(12)	(7)	(253)
At 31 December 2012	7,369	4,920	269	566	368	13,492
DEPRECIATION						
At 1 January 2010	(458)	(2,027)	(40)	(112)	(51)	(2,688)
Provided for the year	(277)	(403)	(39)	(82)	(31)	(832)
Eliminated on disposals of assets	-	1,465	-	-	-	1,465
Translation adjustment	(56)	(214)	(4)	(14)	(6)	(294)
At 31 December 2010	(791)	(1,179)	(83)	(208)	(88)	(2,349)
Provided for the year	(277)	(419)	(46)	(96)	(31)	(869)
Eliminated on disposals of assets	-	423	-	-	-	423
Translation adjustment	(91)	(92)	(12)	(27)	(11)	(233)
At 31 December 2011	(1,159)	(1,267)	(141)	(331)	(130)	(3,028)
Provided for the year	(340)	(457)	(43)	(86)	(35)	(961)
Eliminated on disposals of assets	-	-	-	-	-	-
Translation adjustment	27	30	3	9	2	71
At 31 December 2012	(1,472)	(1,694)	(181)	(408)	(163)	(3,918)
CARRYING AMOUNT						
At 31 December 2010	5,169	3,173	163	305	259	9,069
At 31 December 2011	5,291	3,626	129	242	245	9,533
At 31 December 2012	5,897	3,226	88	158	205	9,574

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

Buildings	4.75%
Machinery & equipment	9.5%
Electronic & other facilities	19%
Motor vehicles	9.5%

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

Buildings on leasehold land comprise:

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

* Items pledged to secure bank borrowings

The Group pledged buildings having a carrying amount of kEUR 4,794 as at 31 December 2012 to secure general banking facilities granted to the Group (2011: buildings of kEUR 4,620; 2010: buildings of kEUR 2,985).

The gross carrying amount of the fully depreciated property, plant and equipment that is still in use is kEUR 24 as at 31 December 2012 (2011:kEUR 2; 2010: kEUR 1).

Prepaid lease payments

	Amount kEUR
Cost	
At 1 January 2010	921
additions for the year	26
translation adjustment	104
At 31 December 2010	1,051
additions for the year	-
translation adjustment	83
At 31 December 2011	1,134
additions for the year	-
translation adjustment	(21)
At 31 December 2012	1,113

AMORTISATION	
At 1 January 2010	(50)
charge for the year	(21)
translation adjustment	(5)
At 31 December 2010	(76)
charge for the year	(21)
translation adjustment	(8)
At 31 December 2011	(105)
charge for the year	(23)
translation adjustment	2
At 31 December 2012	(126)
CARRYING AMOUNTS	
At 31 December 2010	975
At 31 December 2011	1,029
At 31 December 2012	987

Analyzed for reporting purposes as:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Non-current asset	954	1,006	965
Current asset	21	23	22
	975	1,029	987

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

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

The Group has pledged leasehold land having a carrying amount of approximately kEUR 987 at 31 December 2012 to secure general banking facilities granted to the Group (2011: kEUR 1,029; 2010: kEUR 975).

The leasehold land comprises:

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

* Items pledged to secure bank borrowings

Investment properties

	Amount kEUR
Cost	
At 1 January 2010	847
additions for the year	-
translation adjustment	95
At 31 December 2010	942
additions for the year	-
translation adjustment	74
At 31 December 2011	1,016
additions for the year	-
translation adjustment	(19)
At 31 December 2012	997
AMORTISATION	
At 1 January 2010	(167)
charge for the year	(44)
translation adjustment	(19)
At 31 December 2010	(230)
charge for the year	(44)
translation adjustment	(22)
At 31 December 2011	(296)
charge for the year	(48)
translation adjustment	6
At 31 December 2012	(338)
CARRYING AMOUNTS	
At 31 December 2010	712
At 31 December 2011	720
At 31 December 2012	659

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

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

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

* Items pledged to secure bank borrowings

The Group has pledged investment property having a carrying amount of approximately kEUR 26 at 31 December 2012 to secure general banking facilities granted to the Group (2011: kEUR 39; 2010: kEUR 47).

Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Deferred tax asset	6	-	-
Deferred tax liability	-	-	-
	6	-	-

The following are the deferred tax balances recognized and movements thereon during the years:

	Accelerated tax on amortization	Total
	kEUR	kEUR
At 1 January 2010	13	13
Charge to profit or loss for the year	(7)	(7)
At 31 December 2010	6	6
Charge to profit or loss for the year	(6)	(6)
At 31 December 2011	-	-
Charge to profit or loss for the year	-	-
At 31 December 2012	-	-
Charge to profit or loss for the year	-	-

At 31 December 2010, 2011 and 2012, Quanzhou Peixin has unrecognized tax losses amounting to kEUR 280, kEUR 314 and kEUR 414, respectively which can be carried forward within 5 years. No deferred tax asset has been recognized due to the unpredictability of future profit streams.

Other deferred assets

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

	Amount
	kEUR
Cost	
At 1 January 2010	293
additions for the year	558
translation adjustment	40
At 31 December 2010	891
additions for the year	272
translation adjustment	99
At 31 December 2011	1,262
additions for the year	-
translation adjustment	(23)
At 31 December 2012	1,239
AMORTISATION	
At 1 January 2010	(22)
charge for the year	(69)

translation adjustment	(4)
At 31 December 2010	(95)
charge for the year	(125)
translation adjustment	(20)
At 31 December 2011	(240)
charge for the year	(196)
translation adjustment	7
At 31 December 2012	(429)
CARRYING AMOUNTS	
At 31 December 2010	796
At 31 December 2011	1,022
At 31 December 2012	810

Inventories

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Raw materials and consumables	2,652	2,533	3,171
Work in progress	1,239	3,527	1,028
Finished goods	307	984	2,535
	4,198	7,044	6,734

Financial assets and liabilities

Loans and receivables

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Trade and other receivables (Note 28)	1,086	3,119	3,886
Related parties receivables (Note 29)	148	480	-
Pledged bank deposits (Note 30 (i))	143	-	-
Bank balances and cash (Note 30 (ii))	1,875	4,014	11,435
	3,252	7,613	15,321

Financial liabilities measured at amortized cost

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Current			
Trade and other payables (Note 31)	1,490	2,068	1,771
Advance from customers (Note 32)	1,424	1,096	3,582
Bank borrowings (Note 33)	3,060	3,498	4,034
	5,974	6,662	9,387

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

A description of the Group's financial risk management objectives and policies for the financial instruments is given in Note 37.

Trade and other receivables

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Trade receivables	1,081	3,112	3,841
Other receivables	5	7	45
Subtotal financial assets	1,086	3,119	3,886
Prepayments	81	42	543
	1,167	3,161	4,429

Trade and other receivables are denominated in the following currencies:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Renminbi	1,113	3,056	4,325
United States Dollars	54	105	104
	1,167	3,161	4,429

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. Trade receivables that are neither past due nor impaired have good credit quality based on debtors' historical settlement patterns, and are as follows:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Current	1,028	2,691	3,718

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

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Past due for less than 3 months	19	179	51
Past due for over 3 months but less than 9 months	34	242	72
	53	421	123

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

Related parties receivables

(1) Nature of relationship with related parties:

Name	Relationship with the Group
Chongqing Sishuang Sanitary Products Co. Ltd., ("Chongqing Sishuang")	Associate of Mr. Xie

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

Name	Nature	31/12/2010	31/12/2011	31/12/2012
		kEUR	kEUR	kEUR
Chongqing Sishuang	Sales of goods	148	480	-

The amount due from Chongqing Sishuang was unsecured, non-interest bearing and fully repaid in year 2012.

Pledged bank deposits / bank balances and cash

(i) Pledged bank deposits

The pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged deposits carry average interest rates of 1.98% to 2.5% per annum as at 31 December 2010.

(ii) Bank balances and cash

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Cash on hand	41	40	39
Bank balances	1,834	3,974	11,396
	1,875	4,014	11,435

Bank balances and cash are denominated in the following currencies:

(ii) Bank balances and cash-continued

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Renminbi	1,825	3,959	11,391
United States Dollars	50	55	44
Hong Kong Dollars	-	*	*
Euros	*	-	-
	1,875	4,014	11,435

* Amount less than EUR 1,000.

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. Bank balances as at 31 December 2012 carry interest at market rates which ranged from 0.35% to 0.50% (2011: 0.36%-0.50%; 2010: 0.36%) per annum.

Trade and other payables

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Note payables	477	-	-
Trade payables	676	1,581	1,253
Other payables	15	3	2
Salary payables	322	484	516
Subtotal financial liabilities	1,490	2,068	1,771
Tax payables other than income tax	44	526	439
	1,534	2,594	2,210

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

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

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

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Current	676	1,498	1,253
Past due for less than 3 months	-	83	-
	676	1,581	1,253

Advance from customers

Advance from customers comprise down payment received for trade sales.

Advance from customers are denominated in the following currencies:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Renminbi	922	519	1,998
United States Dollars	502	577	1,584
	1,424	1,096	3,582

The fair value of advance from customers 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.

The aging analysis of advance from customers is as follows:

	Year ended	Year ended	Year ended

	31/12/2010	31/12/2011	31/12/2012
	kEUR	kEUR	kEUR
Less than 3 months	1,414	765	2,931
Over 3 months but less than 1 year	10	157	651
Over 1 year but less than 1 and a half years	-	174	-
	1,424	1,096	3,582

Bank borrowings

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Secured bank borrowings	3,060	3,498	4,034
Carrying amount repayable within 1 year	3,060	3,498	4,034

The borrowings are fixed-rate and denominated in RMB.

2010-12-31

Bank loans	**Amount kEUR**	**Period**		**Interest rate**	**Mortgage**	**Personal guarantee**
#7	176	2010-11-15	2011-11-30	5.56%	Land use right and buildings	N/A
#8	2,271	2010-11-22	2011-11-21	5.56%	Land use right and buildings	N/A
#9	613	2010-12-24	2011-11-16	5.56%	Land use right and buildings	N/A
	3,060					

2011-12-31

Bank loans	**Amount kEUR**	**Period**		**Interest rate**	**Mortgage**	**Personal guarantee**
#10	178	2011-11-03	2012-11-02	6.56%	Land use right and buildings	N/A
#11	1,887	2011-11-21	2012-11-21	6.56%	Land use right and buildings	N/A
#12	656	2011-11-24	2012-11-24	6.56%	Land use right and buildings	N/A
#13	777	2011-12-05	2012-12-04	6.56%	Land use right and buildings	N/A
	3,498					

2012-12-31

Bank loans	**Amount kEUR**	**Period**		**Interest rate**	**Mortgage**	**Personal guarantee**
#14	601	2012-07-09	2013-07-09	6.56%	Land use right and buildings	N/A
#15	174	2012-11-05	2013-11-05	6.00%	Land use right and buildings	Xie Qiulin
#16	1,851	2012-11-21	2013-11-21	6.00%	Land use right and buildings	Xie Qiulin
#17	646	2012-11-27	2013-11-27	6.00%	Land use right and buildings	Xie Qiulin
#18	762	2012-12-05	2013-12-05	6.00%	Land use right and buildings	Xie Qiulin
	4,034					

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

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Land use right	975	1,029	987
Buildings	3,032	4,659	4,820
	4,007	5,688	5,807

Information of the pledged assets is set out in Note 21, 22 and 23.

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

Share / paid-in capital

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

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Share/paid-in capital	41	41	41

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

	Numbers of shares	Share capital USD
Authorized and issued and fully paid		
Ordinary shares of USD1.00		
each on the date of incorporation,		
at 31 December 2010,31 December 2011		
and 31 December 2012	50,000	50,000

The share capital shown on the consolidated statement of financial position as at 31 December 2010, 2011 and 2012 represents the share capital of the Company issued and fully paid on the date of incorporation.

Reserves

Share premium

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

Statutory surplus reserve

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

The statutory surplus reserve can be used for making up losses of the group entities in China Mainland, if any. The statutory surplus reserve may also be used to increase capital or to meet unexpected or future losses. The statutory surplus reserve is non-distributable other than upon liquidation.

The statutory surplus reserve of the Group amounts to kEUR 1,630 at 31 December 2012 (2010: kEUR 799 and 2011: kEUR 1,630). The statutory surplus reserve of the Group is related to Fujian Peixin and Quanzhou Peixin.

Retained profits

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

Foreign currency translation reserve (other comprehensive income)

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

Capital management

The Group's objectives when managing capital are:

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

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

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

There were no changes in the Group's approach to capital management for the financial years ended 31 December 2010, 2011 and 2012. The Group's strategy is to maintain gearing ratios within 25%.

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

Total capital is calculated as equity plus net debt.

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Net debt	4,143	3,174	(1,609)
Total equity	12,904	19,298	24,130
Total capital	17,047	22,472	22,521
Gearing ratio	24%	14%	-7%

Risk management objectives and policies

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

As at 31 December 2010, 2011 and 2012, the Group's financial instruments mainly consisted of cash and bank balances, receivables and payables. The Group's financial assets and liabilities by category are summarized as below:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Financial assets			
Loans and receivables (Including bank balances and cash)	3,252	7,613	15,321

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Financial liabilities			
Amortized cost	5,974	6,662	9,387

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

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

Market Risk

Foreign currency sensitivity

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

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

The combines entities' currency exposure based on the information provided to key management are as follows:

2010-12-31

	RMB	USD
	kEUR	kEUR
Financial assets		
Trade and other receivables (Note 28)	1,032	54
Related parties receivables	148	-
Pledged bank deposits	143	-
Bank balances and cash	1,825	50
	3,148	104

	RMB	USD
	kEUR	kEUR
Financial liabilities		
Trade and other payables (Note 31)	1,490	-
Advances from customers	922	502
Bank borrowings	3,060	-
	5,472	502

2011-12-31

	RMB	USD
	kEUR	kEUR
Financial assets		
Trade and other receivables (Note 28)	3,053	66
Related parties receivables	480	-
Pledged bank deposits	-	-
Bank balances and cash	3,959	55
	7,492	121

	RMB	USD
	kEUR	kEUR
Financial liabilities		
Trade and other payables (Note 31)	2,068	-
Advances from customers	519	577
Bank borrowings	3,498	-
	6,085	577

2012-12-31

	RMB	USD
	kEUR	kEUR
Financial assets		
Trade and other receivables (Note 28)	3,886	-
Related parties receivables	-	-
Pledged bank deposits	-	-
Bank balances and cash	11,391	44
	15,277	44

	RMB	USD
	kEUR	kEUR
Financial liabilities		
Trade and other payables (Note 31)	1,771	-
Advances from customers	1,998	1,584
Bank borrowings	4,034	-
	7,803	1,584

A 5% strengthening of the RMB/USD against the EUR as at 31 December 2010, 31 December 2011 and 31 December 2012 would have had the following impact on the net profit after taxation and equity by the amounts shown below:

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
RMB	(102)	62	318
USD	(17)	(20)	(65)

A 5% weakening of the RMB/ USD against the above currency as at 31 December 2010, 31 December 2011 and 31 December 2012 would have the equal but opposite effect on the currency of the amounts shown above.

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

Interest Rate Sensitivity

The Group's exposure to interest rate risk relates to bank borrowings from financial institutions (Note 33).

At the financial position dates, if EUR interest rate had been 50 (2011: 50; 2010: 50) basis points lower/higher with all other variables held constant, the Group's net profit and equity would have been kEUR16 (2011: kEUR13, 2010: kEUR10) higher/lower, arising mainly as a result of lower/higher interest expenses on bank borrowings.

Credit risk analysis

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

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

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

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from trade receivables are 69%, 53% and 59% for the financial years ended 31 December 2010, 2011 and 2012 respectively comprising 5 customers.

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

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

Except for one written-off amount of kEUR 54 in financial year 2012, no impairment loss needed to be recognized in the profit or loss in respect of financial assets during the reporting periods.

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Financial assets			
Trade and other receivables (Note 28)	1,086	3,119	3,886
Related parties receivables	148	480	-
Pledged bank deposits	143	-	-
Bank balances and cash	1,875	4,014	11,435
	3,252	7,613	15,321

Liquidity risk analysis

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

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

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

	Less than 1 year	Total
	kEUR	kEUR
As at 31 December 2010		
Trade and other payables (Note 31)	1,490	1,490
Advances from customers	1,424	1,424
Bank borrowings	3,060	3,060
	5,974	5,974

	Less than 1 year	Total
	kEUR	kEUR

As at 31 December 2011		
Trade and other payables (Note 31)	2,068	2,068
Advances from customers	1,096	1,096
Bank borrowings	3,498	3,498
	6,662	6,662

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

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

Related party transactions

In addition to the current accounts with related parties as disclosed in Notes 28, the Group has entered into the following transactions with related parties that are not members of the Group during the Periods.

(1) Nature of relationship with related party:

Name	Relationship with the Group
Chongqing Sishuang Sanitary Products Co., Ltd. ("Chongqing Sishuang")	Associate of Mr. Xie
Chongqing Beyou Sanitary Products Co., Ltd. ("Chongqing Beyou ")	Associate of Mr. Xie

(2) Transactions with related parties:

Sales of goods

	Year ended 31/12/2010	Year ended 31/12/2011	Year ended 31/12/2012
	kEUR	kEUR	kEUR
Chongqing Sishuang	1,148	586	-
Chongqing Beyou	-	-	544
	1,148	586	544

The sales prices were determined based on the market prices.

Compensation to director of the Company

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Xie Qiulin			
-Short-term employee benefits	58	65	76
-Social welfare	*	*	1
	58	65	77

* Amount less than EUR 1,000.

Personal undertaking by director of the Company

	Year ended 31/12/2010 kEUR	Year ended 31/12/2011 kEUR	Year ended 31/12/2012 kEUR
Xie Qiulin	3,433	-	-

Contingencies

As at 31 December 2012, the Group had no contingencies that needed to be disclosed.

Commitments

As at 31 December 2012, the Group had no commitments that needed to be disclosed.

Event after the reporting period

On 7 February 2013, 12.5% of the Company's ordinary shares were transferred to three companies as below:

Xinsheng Invsetment Holdings Ltd.	5%
Jinyuan Investment Holdings Ltd.	5%
Best Fortune Investment Enterprises Limited	2.5%

In 2013, the directors of the Group began to intensify their efforts to achieve a listing of the Group via a Dutch holding company which is expected to become the future shareholder of the Group.

The listing and associated Initial Public Offering are expected to take place on the Warsaw Stock Exchange in the third quarter of 2013.

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.

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Krijgsman 9, 1186 DM Amstelveen
The Netherlands

Independent auditor's report on consolidated special purpose financial statements in connection with a prospectus

To: the board of Peixin International Group Ltd.

We have audited the accompanying consolidated special purpose financial statements of Peixin International Group Ltd. (the Company), which comprise the statement of financial position as at 31 December 2012, 2011, 2010 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of the consolidated special purpose financial statements based on and in accordance with International Financial Reporting Standards as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated/ special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated special purpose financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, 2011, 2010 and of its result and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AM13-2054

Restriction on use and distribution
The consolidated special purpose financial statements are prepared for the purpose to be included in the prospectus. As a result, the consolidated special purpose financial statements may not be suitable for another purpose. Our opinion is not qualified in this respect. This independent auditor's report is required by the Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that Regulation and for no other purpose.

Amstelveen, 17 April 2013

BDO Audit & Assurance B.V.
on its behalf,

J.A. de Rooij RA

For identification purposes:

PEIXIN INTERNATIONAL GROUP LTD AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

Peixin International Group Ltd and its subsidiaries

Interim consolidated financial statements
For six months ended 30 June 2012 and 2013

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Peixin International Group Ltd and its subsidiaries

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF COMPREHENSIVE INCOME

FOR SIX MONTHS ENDED 30 JUNE 2012 AND 2013

	NOTES	Six months ended 30 June	
		2012	2013
		kEUR	kEUR
Revenue	8	22,459	27,395
Cost of sales	9	(14,042)	(17,224)
Gross profit		8,417	10,171
Other income	10	101	235
Distribution and selling expenses	11	(538)	(537)
Administrative expenses	12	(624)	(747)
Research and development expenses	13	(413)	(513)
Profit from operations		6,943	8,609
Other gains and losses	14	2	17
Finance costs	15	(116)	(125)
Profit before tax		6,829	8,501
Income tax expense	16	(1,087)	(1,252)
Profit for the period	17	5,742	7,249
Other comprehensive income			
currency translation differences		866	895
Total comprehensive income for the period		6,608	8,144
Attributable to:			
Owners of the Company		6,608	8,144
Earnings per share - basic (EUR)	20	115	145

Peixin International Group Ltd and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2012 AND 2013

	NOTES	As at 31 December 2012	As at 30 June 2013
		kEUR	kEUR
Non-current assets			
Property, plant and equipment	21	9,574	9,213
Prepaid lease payments	22	965	985
Investment properties	23	659	656
Other deferred assets	24	810	737
		12,008	11,591
Current assets			
Inventories	25	6,734	9,149
Trade and other receivables	27	4,429	14,407
Prepaid lease payments	22	22	23
Bank balances and cash	28	11,435	9,674
		22,620	33,253
Current liabilities			
Trade and other payables	29	2,210	3,132
Advance from customers	30	3,582	4,442
Income tax payable		672	830
Bank borrowings	31	4,034	4,166
		10,498	12,570
Net current assets		12,122	20,683
Total assets less current liabilities		24,130	32,274
Non-current liability		-	-
Net asset		24,130	32,274
Capital and reserves			
Paid-in capital	32	41	41
Reserves	33	24,089	32,233
Total equity		24,130	32,274

The consolidated financial statements on page 2 to 33 were approved and authorized for issue by the Board of Directors on 2 August 2013 and are signed on its behalf by:

DIRECTOR	DIRECTOR	DIRECTOR

Peixin International Group Ltd and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND 2013

	Attributable to Owners of the Company					
	Share capital kEUR	Share premium kEUR	Foreign currency translation reserve kEUR	Statutory surplus reserve kEUR	Retained profits kEUR	Total kEUR
	(Note32)	(Note33)	(Note33)	(Note33)	(Note33)	
Balance at 1 January 2012	41	3,302	2,449	1,630	11,876	19,298
Profit for the period	-	-	-	-	5,742	5,742
Other comprehensive income for the period	-	-	866	-	-	866
Payment of dividends	-	-	-	-	(6,267)	(6,267)
Balance at 30 June 2012	41	3,302	3,315	1,630	11,351	19,639
Profit for the period	-	-	-	-	5,627	5,627
Other comprehensive income for the period	-	-	(1,136)	-	-	(1,136)
Balance at 31 December 2012	41	3,302	2,179	1,630	16,978	24,130
Profit for the period	-	-	-	-	7,249	7,249
Other comprehensive income for the period	-	-	895	-	-	895
Balance at 30 June 2013	41	3,302	3,074	1,630	24,227	32,274

Peixin International Group Ltd and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND 2013

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
OPERATING ACTIVITIES		
Profit before tax	6,829	8,501
Adjustments for:		
Finance cost	116	125
Interest income	(20)	(90)
Depreciation of property, plant and equipment	475	666
Amortization of prepaid lease payments	11	11
Amortization of investment properties	24	24
Amortization of other deferred assets	98	98
Operating cash flows before movements in working capital	7,533	9,335
(Increase) in inventories	(3,766)	(2,415)
(Increase) in trade and other receivables	(1,104)	(9,978)
Decrease in related parties receivables	409	-
Increase in trade and other payables	8	922
Increase in related parties payable	332	-
Increase in advance from customers	6,876	860
Cash generated from operations	10,288	(1,276)
Income taxes paid	(916)	(1,118)
NET CASH FROM OPERATING ACTIVITIES	9,372	(2,394)
INVESTING ACTIVITIES		
Interest received	20	90
Purchase of property, plant and equipment	(1)	-
NET CASH USED IN INVESTING ACTIVITIES	19	90

Peixin International Group Ltd and its subsidiaries

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2012 AND 2013

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
FINANCING ACTIVITIES		
Interest paid	(116)	(125)
Dividends paid	(6,267)	-
NET CASH USED IN FINANCING ACTIVITIES	(6,383)	(125)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,008	(2,429)
Add: Exchange difference	589	668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,014	11,435
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by cash and bank balances	7,611	9,674

Peixin International Group Ltd and its subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

General information

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

On 7 February 2013, 12.5% of the Company's ordinary shares were transferred to three companies as below:

Xinsheng Invsetment Holdings Ltd.	5%
Jinyuan Investment Holdings Ltd.	5%
Best Fortune Investment Enterprises Limited	2.5%

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

Group reorganisation and basis of presentation of consolidated financial statements

As at 30 June 2013 and the date of approval of the consolidated financial statements, the Company had the following wholly-owned subsidiaries:

Name of entity	Place and date of establishment	Registered capital	Principal activities
Fujian Peixin (i)	Quanzhou, Fujian Province, PRC 8 November 2006	HKD 28,800,000	Manufacture of daily-use paper machinery
Quanzhou Peixin (ii)	Quanzhou, Fujian Province, PRC 28 November 1994	RMB 5,800,000	Manufacture of daily-use paper machinery

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

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

Application of new and revised International Financial Reporting Standards ("IFRSS")

Except as described below, for the six months ended 30 June 2012 and 2013 (the "Periods") the Group has consistently adopted all the new and revised standards, amendments and interpretations (collectively IFRSs) issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as "International Financial Reporting Interpretations Committee" ("IFRIC")) of the IASB as adopted by the European Union ("adopted IFRSs") that are effective for financial year beginning on 1 January 2010 in the preparation of the consolidated financial statements throughout the Periods.

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

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

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

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

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

11. Effective for annual periods beginning on or after 1 July 2011

12. Effective for annual periods beginning on or after 1 January 2012

13. Effective for annual periods beginning on or after 1 January 2013

14. Effective for annual periods beginning on or after 1 January 2015

15. Effective for annual periods beginning on or after 1 July 2012

16. Effective for annual periods beginning on or after 1 January 2014

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

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. The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Foreign currencies

Functional and presentation currency

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

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

With respect to the planned IPO of the company, the shareholders of the company intend to make use of a Dutch stock listed company which will act as parent (holding) company. Therefore the financial statements of the company have been presented in EUR. Translation from RMB to EUR found place at the following rates:

	Period end rates	Average rates
30 June 2012	EUR 1.00= RMB 7.8710	EUR 1.00=RMB 8.1957
31 December 2012	EUR 1.00= RMB 8.3176	EUR 1.00=RMB 8.1948
30 June 2013	EUR 1.00= RMB 8.0536	EUR 1.00=RMB 8.1701

The results and financial positions in functional currency are translated into the presentation currency for the purpose of presentation in the IPO prospectus of its intended ultimate legal parent as follows:

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

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

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

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

Transactions and balances

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

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

Segment reporting

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

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

Revenue recognition

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

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

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

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

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 as 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.

Taxation

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

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

Property, plant and equipment

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

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

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

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

Investment property

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

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

Other deferred assets

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

Leasing

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

The Group as lessor

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

Leasehold land

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined using

the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairments of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis. Financial liabilities

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

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.

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.

Significant management judgment in applying accounting policies

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

Allowance for Bad and Doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful

debts requires the use of judgment and estimates, where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been charged.

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and differed tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2012 and 30 June 2013 amounted to kEUR 672 and kEUR 830 respectively.

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.

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 ar monitored and strategic decisions are made on the basis of segmental gross margins.

By business

	Six months ended 30 June			
Revenue:	2012		2013	
	Unit	kEUR	Unit	kEUR
Unit				
External customers				
Sanitary napkins machines	31	9,569	35	12,239
Diaper machines	14	7,432	22	10,062
Facial tissue machines	196	3,717	231	3,720
Other paper machines	22	1,741	44	1,374
	263	22,459	332	27,395

Peixin International Group Ltd and its subsidiaries

Results:	Six months ended 30 June 2012	2013
	kEUR	kEUR
Segment gross profit		
Sanitary napkins machines	3,606	4,622
Diaper machines	2,760	3,786
Facial tissue machines	1,334	1,301
Other paper machines	717	462
	8,417	10,171

By Geographical Information

Revenue:	Unit	Six months ended 30 June 2012	Unit	2013
		kEUR		kEUR
Direct sales				
- Mainland China	129	12,382	219	15,817
- Outside Mainland China	23	739	21	1,779
Sales to trading companies	111	9,338	92	9,799
	263	22,459	332	27,395

Revenue

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

	Six months ended 30 June 2012	2013
	kEUR	kEUR
Renminbi ("RMB")	21,720	25,616
United States Dollars ("USD")	739	1,779
	22,459	27,395

Cost of sales

Cost of sales comprises of purchasing materials, labor costs for personnel employed in production, depreciation and amortization of non-current assets used for production purpose, outsourced manufacturing cost, taxes and surcharges and water and electricity. The following table shows a breakdown of cost of sales for the period under review for each category:

	Six months ended 30 June 2012	2013
	kEUR	kEUR
Changes in inventories of finished goods and work in progress	(3,510)	(1,605)
Materials consumed in production	14,751	15,28
-Glue machines and motors	5,073	5,870
-Steel	3,119	2,508
-Electric controllers	2,306	2,817
-Knife roller\cylinder	631	636
-Other components	2,784	2,866
-Auxiliary materials	838	587
Labor	1,283	1,639

Depreciation and amortization	374	585
Outsourced manufacturing cost	467	657
Taxes and surcharges *	169	228
Water and electricity	179	243
Others	26	55
Foreign currency translation difference	303	138
	14,042	17,224

* 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).

Other income

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Interest income on bank deposits	20	90
Government grant	52	-
Rental income	11	18
Sales of spare parts	18	127
	101	235

Distribution and selling expenses

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Staff costs	220	248
Marketing and advertising costs	195	130
Post-sales services costs	53	73
Travelling costs	29	29
Depreciation	5	3
Others	36	54
	538	537

Administrative expenses

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Staff costs	148	184
Depreciation and amortization charges	199	183
Entertainment and office expenses	106	95
Miscellaneous taxes	109	87
Professional service fee	-	129
Others	62	69
	624	747

Research and development expenses

Research and development expenses comprise following expenses:

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Materials	198	301
Staff costs	209	208
Depreciation charges	6	4
	413	513

Other gains and losses

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Foreign exchange gain, net	*	14
Other gains	2	3
	2	17

* Amount less than EUR 1,000.

Finance costs

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Interest expenses on bank borrowings wholly repayable within one year	116	125

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

Income tax expense

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Current tax:		
PRC enterprise income tax	1,087	1,252

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

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

The applicable enterprise income tax rate of Quanzhou Peixin is 25%. At 30 June 2012 and 2013, Quanzhou

Peixin has unrecognized tax losses and no income tax was charged for the periods ended 30 June 2012 and 2013.

Profit for the period

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Cost of inventories recognized as expenses	13,873	16,995
Depreciation of PPE	475	666
Amortization of prepaid lease payments	11	11
Amortization of investment properties	24	24
Amortization of other deferred assets	98	98
Total depreciation and amortization	608	799

Employees' emoluments

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Salaries and other short-term benefits	1,800	2,213
Defined contribution benefit schemes	60	66
Total employee benefits expense (including directors’ emoluments)	1,860	2,279

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.

Directors' emoluments

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

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Directors' emoluments		
- Salaries		
Xie Qiu Lin	35	35
	35	35
- Social Welfare		
Xie Qiu Lin	*	*
	*	*

* Amount less than EUR 1,000.

Earnings per share

	Six months ended 30 June	
	2012	2013
	EUR	EUR
Basic earnings per share		
From continuing operations	115	145
Total basic earnings per share	115	145

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

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	5,742	7,249

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Veighted average number of ordinary shares for the purpose of basic earnings per share	50,000	50,000

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

Notes to the interim consolidated financial statements (continued)

Property, plant and equipment

	Plant & buildings	Machinery &equipment	Electronic equipment	Office equipment	Motor vehicles	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
COST						
At 31 December 2011	6,450	4,893	270	573	375	12,561
Additions	-	1	-	-	-	1
Disposals	-	-	-	-	-	-
Translation adjustment	239	180	11	21	13	464
At 30 June 2012	6,689	5,074	281	594	388	13,026
At 31 December 2012	7,369	4,921	269	566	368	13,493
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Translation adjustment	242	161	9	19	12	443
At 30 June 2013	7,611	5,082	278	585	380	13,936
DEPRECIATION						
At 31 December 2011	(1,159)	(1,267)	(141)	(331)	(130)	(3,028)
Provided for the period	(153)	(229)	(24)	(51)	(18)	(475)
Eliminated on disposals of assets	-	-	-	-	-	-
Translation adjustment	(49)	(56)	(6)	(15)	(4)	(130)
At 30 June 2012	(1,361)	(1,552)	(171)	(397)	(152)	(3,633)
At 31 December 2012	(1,474)	(1,694)	(181)	(408)	(162)	(3,919)
Provided for the period	(371)	(227)	(20)	(30)	(18)	(666)
Eliminated on disposals of assets	-	-	-	-	-	-
Translation adjustment	(53)	(59)	(6)	(14)	(6)	(138)
At 30 June 2013	(1,898)	(1,980)	(207)	(452)	(186)	(4,723)
CARRYING AMOUNT						
At 30 June 2012	5,328	3,522	110	197	236	9,393
At 31 December 2012	5,895	3,227	88	158	206	9,574
At 30 June 2013	5,713	3,102	71	133	194	9,213

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

Buildings	4.75%
Machinery & equipment	9.5%
Electronic & other facilities	19%
Motor vehicles	9.5%

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

Buildings on leasehold land comprise:

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

* Items pledged to secure bank borrowings

The Group pledged buildings having a carrying amount of kEUR 21 as at 30 June 2013 to secure general banking facilities granted to the Group (31 December 2012: buildings of kEUR 26).

The gross carrying amount of the fully depreciated property, plant and equipment that is still in use is kEUR 32 as at 30 June 2013 (31 December 2012: kEUR 24).

Prepaid lease payments

	Amount
	kEUR
Cost	
At 31 December 2011	1,134
translation adjustment	42
At 30 June 2012	1,176
At 31 December 2012	1,113
translation adjustment	36
At 30 June 2013	1,149

AMORTISATION	
At 31 December 2011	(105)
charge for the period	(11)
translation adjustment	(5)
At 30 June 2012	(121)
At 31 December 2012	(126)
charge for the period	(11)
translation adjustment	(4)
At 30 June 2013	(141)
CARRYING AMOUNTS	
At 30 June 2012	1,055
At 31 December 2012	987
At 30 June 2013	1,008

Analyzed for reporting purposes as:

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Non-current asset	965	985
Current asset	22	23
	987	1,008

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

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

The Group has pledged leasehold land having a carrying amount of approximately kEUR 1,008 at 30

June 2013 to secure general banking facilities granted to the Group (31 December 2012: kEUR 987).

The leasehold land comprises:

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

* Items pledged to secure bank borrowings

Investment properties

	kEUR
Cost	
At 31 December 2011	1,016
translation adjustment	38
At 30June 2012	1,054
At 31 December 2012	997
translation adjustment	33
At 30 June 2013	1,030
AMORTISATION	
At 31 December 2011	(296)
charge for the period	(24)
translation adjustment	(13)
At 30 June 2012	(333)
At 31 December 2012	(338)
charge for the period	(24)
translation adjustment	(12)
At 30 June 2013	(374)
CARRYING AMOUNTS	
At 30 June 2012	721
At 31 December 2012	659
At 30 June 2013	656

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

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

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

* Items pledged to secure bank borrowings

The Group has pledged investment property having a carrying amount of approximately kEUR 21 at 30 June 2013 to secure general banking facilities granted to the Group (31 December 2012: kEUR 26).

Other deferred assets

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

	Amount
	kEUR
Cost	
At 31 December 2011	1,262
translation adjustment	47
At 30 June 2012	1,309
At 31 December 2012	1,239
translation adjustment	40
At 30 June 2013	1,279
AMORTISATION	
At 31 December 2011	(240)
charge for the period	(98)
translation adjustment	(13)
At 30 June 2012	(351)
At 31 December 2012	(429)
charge for the period	(98)
translation adjustment	(15)
At 30 June 2013	(542)
CARRYING AMOUNTS	
At 30 June 2012	958
At 31 December 2012	810
At 30 June 2013	737

Inventories

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Raw materials and consumables	3,171	3,981
Work in progress	1,028	4,896
Finished goods	2,535	272
	6,734	9,149

Financial assets and liabilities

Financial assets

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Current		
Trade and other receivables (Note 27)	3,886	11,805
Bank balances and cash (Note 28)	11,435	9,674
	15,321	21,479

Financial assets and liabilities-continued

Financial liabilities measured at amortized cost

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Current		
Trade and other payables (Note 29)	1,771	2,580
Advance from customers (Note 30)	3,582	4,442
Bank borrowings (Note 31)	4,034	4,166
	9,387	11,188

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

Trade and other receivables

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Trade receivables	3,841	11,673
Other receivables	45	132
Subtotal financial assets	3,886	11,805
Prepayments	543	717
Prepayments for machinery	-	1,885
	4,429	14,407

Trade and other receivables are denominated in the following currencies:

	As at 31 December 2012	As at 30 June 2013
	Keur	kEUR
Renminbi	4,325	13,507
United States Dollars	104	867
Euros	-	33
	4,429	14,407

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 2012	As at 30 June 2013
	kEUR	kEUR
Current	3,718	10,636

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 2012	As at 30 June 2013
	kEUR	kEUR
Past due for less than 3 months	51	1,037
Past due for over 3 months but less than 9 months	72	-
	123	1,037
	3,841	11,673

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

Bank balances and cash

	2012	2013
	kEUR	kEUR
Cash on hand	39	43
Bank balances	11,396	9,631
	11,435	9,674

Bank balances and cash are denominated in the following currencies:

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Renminbi	11,391	9,631
United States Dollars	44	42
Hong Kong Dollars	*	*
Euros	-	1
	11,435	9,674

* Amount less than EUR 1,000.

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. Bank balances as at 30 June 2013 carry interest at market rates of 0.35% (2012: 0.35%-0.50%) per annum.

Trade and other payables

	2012	2013
	kEUR	kEUR
Trade payables	1,253	1,887
Other payables	2	85
Salary payables	516	608
Subtotal financial liabilities	1,771	2,580
Tax payables other than income tax	439	552
	2,210	3,132

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

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

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

	As at 31 December	As at 30 June
	2012	2013
	kEUR	kEUR
Current	1,253	1,887

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	As at 30 June
	2012	2013
	kEUR	kEUR
Renminbi	1,998	2,680
United States Dollars	1,584	1,762
	3,582	4,442

The aging analysis of advance from customers is as follows:

	As at 31 December	As at 30 June
	2012	2013
	kEUR	kEUR
Less than 3 months	2,931	2,535
Over 3 months but less than 1 year	651	1,907
	3,582	4,442

Bank borrowings

	As at 31 December 2012	As at 30 Junel 2013
	kEUR	kEUR
Secured bank borrowings	4,034	4,166
Carrying amount repayable within 1 year	4,034	4,166

The borrowings are fixed-rate and denominated in RMB.

2012-12-31

Bank loans	Amount kEUR	Period		Interest rate	Mortgage	Personal guarantee
#14	601	2012-07-09	2013-07-09	6.56%	Land use right and buildings	N/A
#15	174	2012-11-05	2013-11-05	6.00%	Land use right and buildings	Xie Qiulin
#16	1,851	2012-11-21	2013-11-21	6.00%	Land use right and buildings	Xie Qiulin
#17	646	2012-11-27	2013-11-27	6.00%	Land use right and buildings	Xie Qiulin
#18	762	2012-12-05	2013-12-05	6.00%	Land use right and buildings	Xie Qiulin
	4,034					

2013-06-30

Bank loans	Amount kEUR	Period		Interest rate	Mortgage	Personal guarantee
#14	621	2012-07-09	2013-07-09	6.56%	Land use right and buildings	N/A
#15	180	2012-11-05	2013-11-05	6.00%	Land use right and buildings	Xie Qiulin
#16	1,912	2012-11-21	2013-11-21	6.00%	Land use right and buildings	Xie Qiulin
#17	666	2012-11-27	2013-11-27	6.00%	Land use right and buildings	Xie Qiulin
#18	787	2012-12-05	2013-12-05	6.00%	Land use right and buildings	Xie Qiulin
	4,166					

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

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Land use right	987	1,008
Buildings	4,820	4,816
	5,807	5,824

Information of the pledged assets is set out in Note 21, 22 and 23.

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

Share / paid-in capital

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

	As at 31 December 2012	As at 30 June 2013
	kEUR	kEUR
Share/paid-in capital	41	41

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

	Numbers of shares	Share capital
		USD
Authorized and issued and fully paid Ordinary shares of USD1.00 each on the date of incorporation, at 31 March 2013	50,000	50,000

Reserves

Share premium

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

Statutory surplus reserve

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

The statutory surplus reserve can be used for making up losses of the group entities in China Mainland, if any. The statutory surplus reserve may also be used to increase capital or to meet unexpected or future losses. The statutory surplus reserve is non-distributable other than upon liquidation.

The statutory surplus reserve of the Group amounts to kEUR 1,630 at 30 June 2013 (31 December

2012: kEUR 1,630). The statutory surplus reserve of the Group is related to Fujian Peixin and

Quanzhou Peixin.

Retained profits

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

Foreign currency translation reserve (other comprehensive income)

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

Related party transactions

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

Compensation to director of the Company

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Xie Qiulin		
-Short-term employee benefits	35	35
-Social welfare	*	*
	35	35

* Amount less than EUR 1,000.

Personal undertaking loans guaranteed by director of the Company

	Six months ended 30 June	
	2012	2013
	kEUR	kEUR
Xie Qiulin	-	3,545

Contingencies

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

Commitments

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

Event after the reporting period

In 2013, the directors of the Group began to intensify their efforts to achieve a listing of the Group via a Dutch holding company which is expected to become the future shareholder of the Group.

The listing and associated Initial Public Offering are expected to take place on the Warsaw Stock

Exchange in the third quarter of 2013.

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.

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Review report on consolidated special purpose interim financial statements in connection with a prospectus

To: the board of Peixin International Group Ltd.

Introduction
We have reviewed the accompanying consolidated special purpose interim financial statements of Peixin International Group Ltd. (the Company), for the period ending 30 June 2013. Management is responsible for the preparation and fair presentation of the consolidated special purpose interim financial statements based on and in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to issue a review report on these consolidated special purpose financial statements.

Scope
We conducted our review in accordance with Dutch Law, including the Dutch Standard 2400 "Engagements to review financial statements". This requires that we plan and perform the review to obtain moderate assurance about whether the consolidated special purpose interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated special purpose interim financial statements do not give a true and fair view of the financial position of Peixin International Group Ltd. as at 30 June 2013, and of its results for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Restriction on use and distribution
The consolidated special purpose interim financial statements are prepared for the purpose to be included in the prospectus. As a result, the consolidated special purpose interim financial statements may not be suitable for another purpose. Our opinion is not qualified in this respect.

Amstelveen, 7 August 2013

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

J.A. de Rooij RA

For identification purposes:

AN 13-4/91

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