Peixin International Group N.V.

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

Offering of up to 3,600,000 Offer Shares, with a nominal value of EUR 1 each, and admission to trading on the Warsaw Stock Exchange of up to 3,000,000 Primary Shares

This Prospectus ("Prospectus") has been prepared for the purpose of (i) offering ("Offering") by Peixin International Group N.V. ("Company") of up to 3,000,000 newly issued bearer shares (the "Primary Shares") and the offering by Jinyuan Investment Holdings Ltd. of up to 600,000 existing bearer shares (the "Secondary Shares") of the nominal value of EUR 1, totalling up to 3,600,000 shares (together the "Offer Shares") and (ii) the admission to trading on the Warsaw Stock Exchange of up to 3,000,000 Primary Shares. The Offering consists of a public offering to: (i) institutional investors in the Republic of Poland and (ii) retail investors in the Republic of Poland. 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. The Primary Shares are allocated in the first place.

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 on11 June 2014, 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.

13,000,000 of the Company's shares, including Secondary Shares, are listed on parallel segment of the main market (Główny Rynek) of the Warsaw Stock Exchange ("Existing Shares"). The Primary 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 Existing Shares together with the Primary Shares (together the "Shares") to trading on the main market segment of the regulated market on the Warsaw Stock Exchange. If, following the Offering, the Company does not fulfil the criteria for the admission of the Shares to trading on the main market segment of the regulated market on the Warsaw Stock Exchange, or the application is otherwise unsuccessful, the Company will apply for admission of the Primary Shares to trading on the parallel segment of the main market (Główny Rynek) of the Warsaw Stock Exchange where the Existing Shares are traded. The date on which trading of the Primary Shares on the Warsaw Stock Exchange will commence is expected to be on or about 8 July 2014 (the "Listing Date"). Delivery of the Offer Shares to investors' securities accounts is expected to be no later than on the Listing Date. Prospective retail investors in Poland may subscribe for the Offer Shares during a period which is expected to commence on or about 12 June 2014 and is expected to end on or about 17 June 2014, 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 20 June 2014 and is expected to end on or about 25 June 2014.

The offer price per Offer Share ("Offer Price") and the final number of Offer Shares will be determined by the Issuer in consultation with the Lead Manager (as defined below) and announced no later than 20 June 2014 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 price, which is PLN 19.00. 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 a press release or, if required by applicable law, 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, the Selling Shareholder 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 11 June 2014

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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, researches and develops, manufactures and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. With 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according 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 36%, 47%, 13% and 4% of the Group's revenues for 2013 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 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 only current production facility is located in Quanzhou, Fujian province in China, which was recently expanded as a result of finalising the first phase of the investment. The Group intends to open a new factory at the beginning of 2016, and perceives the opening of the new factory as a significant step towards increasing its revenues and keeping 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, the Middle East, 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 further strengthen its existing distribution coverage in China and expand it from the current coastal areas to other inland and economically growing regions, including the provinces of Henan, and Hunan. The Group believes that the development of its domestic distribution force will allow it to increase sales of its products. Since the beginning of 2014 the Group's service staff is present in Ankara, Turkey to provide after-sales support for clients, not only in Turkey, but also in the continental Europe, North Africa and the Middle East. The company is evaluating the possibility of opening overseas offices. The Group also intends to intensively increase its direct sales in further selected overseas markets such as India and Turkey by increasing promotional efforts such as targeted advertising and participation in exhibitions. The Company would also like to continue using indirect distribution channels (distributors) especially to sell to regions where its direct presence is either impossible or suboptimal, due to the political situation, business connections, etc.*
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 the 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*

		• *Demand for more technologically advanced machines from domestic market* • *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* • *Availability of bank financing* • *Effects of currency fluctuations* • *Seasonality*
B.5	***Description of the Group and the Company's positioning within the Group***	*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 three subsidiaries: Fujian Peixin, the operation entity which manufactures and sells the Group products and Quanzhou Peixin with no business activity and recently established Quanzhou Baixin. Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin are limited liability companies formed under PRC laws with a status of a wholly foreign owned enterprises.*
B.6	***Persons who, directly and indirectly, have a notifiable interest in the Company's capital or voting right***	*As at the date of this Prospectus, 80.8% of the Company's share capital is held by P.I. Investment Limited, wholly owned by the current CEO Mr Qiulin Xie (the "Principal Shareholder"). The following table indicates our shareholding structure as at the date of this Prospectus.* ***Shareholder*** / ***No. of Shares*** / ***% in the share capital*** *P.I. Investment Limited (wholly owned by Qiulin Xie)* — 10,500,000 — 80.8% *Xinsheng Investment Holding Ltd (wholly owned by Fan Zhang)* — 600,000 — 4.6% *Jinyuan Investment Holding Ltd (wholly owned by Meiqing Lee)* — 600,000 — 4.6% *Others* — 1,300,000 — 10% ***Total*** — 13,000,000 — 100%
	Different voting rights	*No shareholder has voting rights that differ from the other shareholders.*
	Control over the Company and nature of such control	*As at the date of this Prospectus, 80.8% of the Company's share capital is held by P.I. Investment Limited, wholly owned by the current CEO Mr Qiulin Xie*

B.7	***Selected historical key financial information***	*The table below sets out selected financial information for each of the three financial years ended 31 December 2013, 2012 and 2011, which is derived from the Company's audited consolidated financial statements for the financial years ended 31 December 2012, 2011 and 2010, the Company's audited consolidated financial statement for the financial year ended 31 December 2013, as well as the unaudited consolidated financial statements for three months ended 31 March 2014, respectively (together the* ***Consolidated Financial Statements****) The Consolidated Financial Statements are set out in "Index to Financial Statements".*

Selected consolidated statements of comprehensive income data

	31 December			Period ended	
	2011	**2012**	**2013**	**31/03/2013**	**31/03/2014**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
	(audited)			**(unaudited)**	
Revenue	32,839	46,509	59,407	10,590	12,434
Cost of sales	(20,845)	(29,619)	(37,085)	(6,796)	(7,757)
Gross profit	11,994	16,890	22,322	3,794	4,677
Other income*	159	165*	272	94	6
Distribution and selling expenses	(817)	(1,025)	(1,121)	(213)	(230)
Administrative expenses	(947)	(1,219)	(1,406)	(326)	(407)
Research and development expenses	(782)	(1,019)	(1,434)	(231)	(256)
Profit from operations*	9,607	13,792	18,633	3,118	3,790
Other gains and losses*	18	(54)*	(7)	3	-
Finance income*	-	36*	116	82	51
Finance costs	(169)	(247)	(215)	(61)	(39)
Profit before tax	9,456	13,527	18,527	3,142	3,802
Income tax expense	(1,261)	(2,158)	(2,755)	(512)	(589)
Profit for the year	8,195	11,369	15,772	2,630	3,213
Other comprehensive income					
Items that will not be reclassified to profit or loss					
IPO costs	-	-	(607)	-	-
Items that will be reclassified to profit or loss					
-currency translation differences	1,406	(270)	(691)	917	(357)
Total comprehensive income for the year	9,601	11,099	14,474	3,547	2,856

Source: Consolidated Financial Statements

* The financial data for 2012 are derived from the Consolidated Financial Statements for

2013. In 2013 the Company changed the presentation of the financial data with respect to "*other income*" line and "*other gains and losses*" line.

In the Consolidated Financial Statements for 2010 - 2012 the Company recognised interest income on bank deposits for 2012 in the amount of EUR 35 thousand under "*other income*" line whereas in the Consolidated Financial Statement for 2013 interest income on bank deposits was recognised under "*finance income*" line. As a consequence "*other income*" line for 2012 amounting to EUR 200 thousand in the Consolidated Financial Statements for 2010 - 2012 amounted to EUR 165 thousand as comparable figure for 2012 in the Consolidated Financial Statements for 2013. If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "*other income*" line would amount to EUR 128 thousand.

Similarly Foreign exchange gain, net in the amount of EUR 1 thousand was recognised in the Financial Statements for 2010 - 2012 under "*Other gains and losses*" line whereas in the Consolidated Financial Statement for 2013 it was recognised under "finance income" line. As a consequence "*Other gains and losses*" line amounting for 2012 to EUR (53) thousand in the Consolidated Financial Statements for 2010 - 2012 amounted to EUR (54) thousand as comparable figure for 2012 in the Consolidated Financial Statement for 2013 If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "*Other gains and losses*" line would amount to EUR (9) thousand.

Selected consolidated statements of financial position data

	31 December			31 March
	2011	**2012**	**2013**	**2014**
	TEUR	**TEUR**	**TEUR**	**TEUR**
	(audited)		**(unaudited)**	
Non-current assets				
Property, plant and equipment	9,533	9,574	13,012	15,064
Prepaid lease payments	1,006	965	5,683	10,968
Investment properties	720	659	604	13
Other deferred assets	1,022	810	610	560
	12,281	12,008	19,909	26,605
Current assets				
Inventories	7,044	6,734	7,953	10,767
Trade and other receivables	3,161	4,429	10,204	10,662
Prepaid lease payments	23	22	22	22
Related parties receivables	480	-	-	-
Bank balances and cash	4,014	11,435	11,983	10,349
	14,722	22,620	30,162	31,800
Current liabilities				
Trade and other payables	2,594	2,210	3,159	2,662
Related parties payables	-	-	231	230
Advance from customers	1,096	3,582	3,653	5,758
Income tax payable	517	672	792	698
Bank borrowings	3,498	4,034	-	3,965
	7,705	10,498	7,835	13,313
Net current assets	7,017	12,122	22,327	18,487

		Total assets less current liabilities ...	19,298	24,130	42,236	45,092
		Non-current liability	-	-	-	-
		Net asset	19,298	24,130	42,236	45,092
		Capital and reserves				
		Paid-in capital	41	41	13,000	13,000
		Reserves	19,257	24,089	29,236	32,092
		Total equity	19,298	24,130	42,236	45,092
		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***	*Based on this prospectus the Company offers up to 3,000,000 newly issued bearer shares and Jinyuan Investment Holdings Ltd. offers up to 600,000 existing bearer shares, both of the nominal value of EUR 1, totalling up to 3,600,000 shares. All of the Company's existing 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 13,000,000, consisting of 13,000,000 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 require majority of at least 80% of the votes cast in a meeting where at least 50% of the share capital is present or represented.* *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 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.* *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 Polish Act on Trading in Financial Instruments prohibits the use of inside information in trading in securities.* *Pursuant to the Polish Act on Trading in Financial Instruments 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***	*All 13,000,000 of the existing shares of the Company are listed on the parallel segment of the main market (Główny Rynek) of the Warsaw Stock Exchange. The Primary 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 Primary Shares and the Existing Shares to trading on the main market segment of the regulated market on the Warsaw Stock Exchange.
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.* *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.* *Subject to provision of law and financial conditions and depending on the proceeds from the Offering and the Group's investment plan, the Company intends to distribute a certain amount of its distributable profits to shareholders, and is executing its assumed dividend policy. As assumed therein, on 16 May, 2014 the Company distributed the first post-IPO dividend from the consolidated profits of 2013, amounting to approx. 10% of distributable profits. The distribution percentage shall increase in time, as the Company is currently executing a significant investment plan. The Company intends to pay the following future dividends:* • *10-30% of consolidated profits for 2014-2015, during which the Company shall continue to execute its investment plan, therefore the final percentage of dividend distribution will depend on the pace of the investment process, the size of external financing acquired, and the amount of internally generated funds;* • *30-50% of consolidated profits for 2016;* • *50-70% of the consolidated profits after 2016 – on completion of the investment plan, internally generated sources should be sufficient to both finance any further investment needs (if required) and share a significant portion of profits with shareholders.* *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. Changing 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, and the imposition of additional restrictions 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 and/or Quanzhou Baixin to Peixin International BVI and to the Company and/or loans from being granted by the Company to Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin.* *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 Principal Shareholder. However there*

		is a risk that the PRC authorities may treat the Principal 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 Principal Shareholder to fines and other legal sanctions, restrict the Company's intended investments, or limit Fujian Peixin and/or Quanzhou Peixin and/or Quanzhou Baixin 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, Quanzhou Peixin or Quanzhou Baixin.* *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.* *The Group's success depends in part on its ability to enhance its production capacity, which is subject to risks and uncertainties. If the Group is unable to increase its production capacity, it may not be able to achieve the desired level of production and revenues, which may have an adverse effect on the Group's financial condition, results of operations and business.* *The Group's research and development efforts 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's 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 and technical personnel. The Group may not be successful in finding suitable replacements for any such 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 Company is subject to increased legal, accounting, transparency and administrative requirements, including disclosure requirements. Should the Company fail to comply with its obligations, it may be subject to material sanctions and penalties as set forth under Polish, Dutch or other applicable 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 indirect principal shareholder who is able to exercise control over the Company, and his decisions may not always be in the best interests 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 decrease 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 the Primary Shares on the WSE. Under Dutch and Polish law the admission of shares to trading on the WSE requires completing certain actions and fulfilment of certain admission conditions. There is no guarantee that all of the aforementioned conditions will be met and that the Primary 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 Primary Shares are subscribed for at the Maximum Offer Price, the net proceeds from the issuance of the Primary Shares are expected to be approximately EUR 12.61 mln after deduction of the Company's costs of the Offering, including approximately EUR 560 thousand in commissions and fees payable to the Lead Manager and the financial advisor. The Company expects that its other costs of the Offering (excluding the commissions and fees for the Lead Manager and the financial advisor which depend on the gross proceeds from the Offering) will amount to approximately EUR 590 thousand. The Company will not receive proceeds from the sale of the Secondary Shares.*
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 its investment plan, mainly aimed at increase of capacity.*
E.3	***Terms and conditions of the Offering***	*Based on this prospectus the Company offers up to 3,000,000 newly issued bearer shares (the "Primary Shares") and the Selling Shareholder offers up to 600,000 existing bearer shares (the "Secondary Shares"), both of the nominal value of EUR 1, totalling up to 3,600,000 shares (together the "Offer Shares").The Primary Shares are allocated in the first place.* *The Offering consists of a public offering to: (i) institutional investors in the Republic of Poland and (ii) retail investors in the Republic of Poland. 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 24 April 2014 the General Meeting approved the Offering and designated the Management Board as the corporate body authorised, subject to approval of the Supervisory Board, (i) to issue the ordinary shares in connection with the Offering and (ii) to exclude the statutory pre-emptive rights of holders of ordinary shares in connection therewith. As contemplated by this resolution of the General Meeting, on 9 June 2014 the*

Management Board, with the approval of the Supervisory Board granted on 9 June 2014, resolved to approve the Offering.

On 9 June 2014, the Management Board set the Maximum Offer Price at PLN 19.00 per Offer Share and the maximum number of Primary Shares to be issued at 3,000,000. The Offer Shares may be acquired by the Retail Investors and Institutional Investors. Offer Shares will be offered in to Retail Investors and Institutional Investors. It is expected that Retail Investors will be allocated approximately 20% of the Offer Shares. In case of significant demand generated by Retail Investors, the Management Board in consultation with the Lead Manager may increase Retail Investors' allotment up to maximum 25% of the Offer Shares. 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:

12 June to 17 June 2014	*Subscription period for Retail Investors*
12 June to 18 June 2014	*Book-building process among Institutional Investors*
18 June 2014	*Closing of the book-building (Pricing Day)*
No later than 20 June 2014	*Announcement of the Offer Price and the final number of Offer Shares and final number of Offer Shares to be offered to Retail Investors*
20 June to 25 June 2014	*Subscription period for Institutional Investors*
No later than 26 June 2014	*Allocation of the Offer Shares among investors and issuance of the Offer Shares (Allotment Date)*
On or about 8 July 2014	*Commencement of trading of the Primary 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 19.00.

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 no later than 20 June 2014 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. Additionally Lead Manager is providing sponsor of the issue account for the Company and is a market maker for the Company. Due to that, Lead Manager might hold shares of the Company for the purpose of market making (number may differ depending on current market situation). The Lead Manager does not hold any material interests in the Company.* *In connection with the Offering, financial advisory services to the Company and the Selling Shareholder are provided by CC Group sp. z o.o., with its registered office in Warsaw and postal address: ul. Zielna 41/43, 00-108 Warsaw, Poland. The services include assistance in preparation of the Offering, including, specifically, consultations with the Company, the Selling Shareholder, legal advisors and Lead Manager on an as required basis, as well as analytical and communication responsibilities towards the investors.* *The remuneration of the financial advisor of CC Group sp. z o.o. for the abovementioned services is based on a success fee of 0.4% of the gross value of the proceeds from the Offering from the sale of the Primary Shares and 0.4% of the gross value of the proceeds from the Offering from the sale of the Secondary Shares. Moreover, CC Group sp. z o.o. has been rendering and may render to the Company PR, IR and disclosure services. CC Group sp. z o.o. does not hold any material interests in the Company and, specifically, as at the Prospectus Date, it does not hold any Shares.* *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***	*P.I. Investment Limited and the Company agreed that, during the period ending on 360 days after the listing of the Primary Shares, without the written consent of the Offering Agent, they will not nor any other affiliates over which they exercise management or voting control, nor any person acting on or their behalf will (i) issue, pledge, offer, sell, transfer or otherwise dispose of (or publicly announce the issuance, offering, sale or disposal of) or take actions aimed at or which may result in the issuance of, any shares of the Company (or any other securities convertible into, exercisable for or exchangeable for the shares of the Company, including participations granting, directly or indirectly, the right to acquire or subscribe for the shares of the Company or any other securities or financial instruments which are valued by a direct or indirect reference to the price of the above-mentioned securities serving as the base instrument, including swaps for shares, futures and options), or (ii) enter into any swap or other transaction (such as the grant of purchase options, rights or warrants on shares) that transfers, in whole or in part, the economic consequences of the ownership of the shares of the Company or options, or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities linked with the Company's shares. The obligation of P.I. Investment is conditional upon the listing of the Primary Shares on the Listing Date.*
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 sold to investors other than the existing shareholders:*

Shareholder	**% in the share capital before the Offering**	**% in the share capital after the Offering**
P.I. Investment Limited (wholly owned by Mr Qiulin Xie	80.8%	65.6%
Xinsheng Investment Holding Ltd (wholly owned by Fan Zhang)	4.6%	3.8%
Jinyuan Investment Holding Ltd (wholly owned by Meiqing Lee)	4.6%	0%
Others	10.0%	30.6%
Total	100.0%	100%

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.*

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. Changing 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.

Changing 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 diaper 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, and the imposition of additional restrictions 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, and the imposition of additional restrictions 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 verified independently 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 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 central or local governments, and their implementation, interpretation and enforcement may involve some uncertainty due to the lack of established practice available for reference. Depending on the government agency or how an application or 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 to the shareholders of foreign investment enterprises;
- Health and safety 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 discharge, 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 underfunded.

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 furthering 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 and/or Quanzhou Baixin to Peixin International BVI and to the Company and/or loans from being granted by the Company to Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin.

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 and Quanzhou Baixin 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 and Quanzhou Baixin in 2014 were direct investments 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 and/or Quanzhou Baixin to Peixin International BVI and to the Company and/or loans from being granted by the Company to Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin. 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 Principal Shareholder. However, there is a risk that the PRC authorities may treat the Principal 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 Principal Shareholder to fines and other legal sanctions, restrict the Company's intended investments, or limit Fujian Peixin and/or Quanzhou Peixin and/or Quanzhou Baixin 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 Principal Shareholder. However, the Principal 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 Principal 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 Principal Shareholder to fines and other legal sanctions, restrict the Company's intended investments, or limit Fujian Peixin and/or Quanzhou Peixin and/or Quanzhou Baixin 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, Quanzhou Peixin or Quanzhou Baixin.

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 and Quanzhou Baixin, 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 99,200,000 (total investment amount) - HKD 50,000,000 (registered capital) = HKD 49,200,000). 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, Quanzhou Peixin or Quanzhou Baixin, 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, Quanzhou Peixin or Quanzhou Baixin.

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 Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin (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 are not 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, FIEs 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." FIEs 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 increased to the full amount of the aforementioned 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 private companies in the PRC increased from RMB 28,752 in 2011 to RMB 46,769 in 2012, (net increase of 14% after the 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's international competitors may increase their sales activities in the markets of China and other growing economies. Existing and new competitors may establish more advanced production facilities or have greater financial resources, which could allow them to compete aggressively by lowering the prices of their products or expanding their production capacity. To remain competitive, the Group must continue to invest significant resources in increasing its production capacity, the on-going development of new products and improvement of existing products, in particular. There can be no assurance that the Group will have sufficient resources to increase its competitiveness or that such investments will improve the Group's position in relation to its competitors.

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

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

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

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.

Availability of bank financing

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

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

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 to 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 2013, 8.5% of the Group’s sales were in USD as compared to 4.7% in 2012. 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.

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

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

The Group's research and development efforts 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's 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 the coastal areas of China, which generate substantially all of the Group's revenue. Domestically, 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 the provinces of Henan and Hunan. The Group is also evaluating possible options to open overseas offices. The Group also intends to intensively increase its direct sale in further selected overseas markets such as India and Turkey by increasing promotional efforts such as targeted advertising and participation in exhibitions. The Group would also like to continue using indirect distribution channels (distributors) especially to sell to regions where a direct presence is either impossible or suboptimal, due to the political situation, business connections, etc. 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, which 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 two patents for two inventions and seventeen 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-competition 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 and technical personnel. The Group may not be successful in finding suitable replacements for any such 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 and technical 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 including technical staff, in particular for its R&D, production and sales and after 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 Group may suffer a loss in case it is not able to acquire or fails to make required investments on newly acquired land

On 16 May 2014 Peixin International BVI concluded with the Preparation Construction Committee of Yongchun County Light Industry Base, which is an institution run by the local government and acting on behalf of the local government ("the Committee"), an agreement on a land use right ("the Agreement"), aimed at the land use right ("the Land") acquisition. The Agreement provides details regarding the Land itself as well as the scope and timing of investment to be carried out by Peixin International BVI, as required by the Committee.

The total price of the Land specified in the Agreement amounts to RMB 80.25m (excluding tax) and the payment is divided into four instalments, three of which were already paid between December 2013 and March 2014. The remaining payment of RMB 10.25m shall be paid by 30 June 2014. The Group also paid RMB 10,000,000 for the levelling works related to the land.

In the event of a delay with the instalments payment, Peixin International BVI will pay a contractual penalty to the Committee in the amount of 0.1% of the outstanding price per day. Moreover, in the event of a delay in payment of more than 60 days, the Committee is entitled to terminate the Agreement, and exclude Peixin International BVI from the Land acquisition process. In such case, Peixin International BVI will be entitled to reclaim the prepayments made.

The Agreement requires Quanzhou Baixin to complete the construction of the new production facility within three years from the date of concluding the Agreement; however, the construction works shall commence no later than six months after the conclusion of the Agreement. If the construction works are not started within six months of the date of concluding the Agreement, or if the construction is not completed within three years of the conclusion date, Peixin International BVI is required to pay a contractual penalty of 0.1% of the total price per day of the Land. If Peixin International BVI is not able to pay the contractual penalties, it is obliged to return the Land to the Committee without compensation.

Peixin International BVI is required to invest no less than RMB 250m in the construction by 30 June 2015. Additionally, Peixin International BVI shall invest another RMB 250m in the Land by 31 December 2017 and complete the whole construction process by that date. In the event that Peixin International BVI does not fulfil the above specified investment schedule, it will be subject to a penalty in the amount of the outstanding amount of the investment. It is customary in China, especially in case of a long-term perspective and due to the changing business environment, for some clauses in such agreements to be subject to adjustments and further negotiations.

Under the Agreement, Quanzhou Baixin shall begin production of the new plant by no later than the end of 2016. Moreover, the annual revenue of Quanzhou Baixin from the constructed facilities shall be no less than RMB 100m and the annual tax paid by Quanzhou Baixin (including VAT, business tax and corporate income tax) shall be no less than RMB 5m. For more information on the agreement see: "*Business of the Group – Material Agreements*".

It is customary for the transfer of possession of the land to take place shortly after the conclusion of the Agreement on the land use right and before the execution of the formal land purchase agreement. Execution of the land purchase agreement may take long time, in certain circumstances even more than a year. It is also customary that within the mentioned period, i.e. before formal acquisition of the land, the buyers are also be required, under letters of intent, to make the investments specified in letters of intent.

Under Chinese law the land use right to industry land is granted by the state through a bid invitation, an auction or a listing, even though customarily agreements on the land use right acquisitions are signed with buyers earlier. Therefore, even though Peixin International Group Ltd. signed the Agreement, and will likely make significant investments on the land to fulfil the requirements under the Agreement, the Group will need to successfully go through the formal steps related to land acquisition including participating in the bid, auction or listing, signing the formal land use right purchase agreement with the government, and applying for and being granted the land use right certificate, to be the rightful land use right owner. This procedure is time consuming

and, in certain circumstances may that even more than a year, and the outcome cannot be formally guaranteed. If the Group fails to acquire the land, it may be able to recover the price for the land it has paid, however it may lose any additional investment the Company will make on the land under the Agreement. This could have a material and adverse impact on the Group's business, financial position and results of operations.

Furthermore, for the purpose of fulfilling the investment undertaking under the Agreement, buyers usually begin construction work before obtaining any permission or building certificate, which may be obtained only after concluding land purchase agreements, mainly due to the fact that otherwise fulfilment of the investment timeframe required by the terms set in the Agreement may be unfeasible. Nevertheless, under PRC laws, any construction of buildings before obtaining the relevant permissions or certificates shall be stopped by the relevant local authority and fines may be up to 12% of the construction cost. Furthermore, the construction may be demolished, or confiscated, if it cannot be demolished. Moreover, under PRC laws, any construction project before obtaining the approval for the Environment Impact Appraisal Report, which has not yet been obtained by the Group, shall be stopped by the relevant local authority and fines may be up to RMB 200,000. If the authorities apply these measures in relation to the Group, this may have a material and adverse effect on the Group's business, financial position and results of operations.

In addition, under Chinese law, if, following the execution of the formal land purchase agreement, the land use right owner does not start to develop the land within one year after the date set in the land use right purchase agreement or if the development is stopped for more than one year while the development area is not more than one third of the total area or the actual investment is not more than 25% of the total investment, the land may be recognized as unused land. In all of the mentioned cases the PRC authorities may impose a fine amounting to 20% of the price of the land or, if the land remains unused for more than two years, they may revoke the land use right without paying any compensation. The occurrence of any of the aforementioned situations may have a material and adverse impact on the Group's business, financial position and results of operations.

In case Quanzhou Baixin's registered capital is not paid up on time, a fine may be imposed on the Group.

Quanzhou Baixin Machinery Manufacturing Industrial Co., Ltd is a limited liability company incorporated on 18 April 2014 under PRC laws with its registered capital of RMB 50,000,000. Quanzhou Baixin's business license was issued on 18 April 2014. According to the PRC laws and regulations and Articles of Association of Quanzhou Baixin, 15% of Quanzhou Baixin's registered capital shall be paid up within 3 months and fully paid up within 2 years after the issuance date of the business license. As of the date of the Prospectus, no registered capital of Quanzhou Baixin has been paid up. The Group intends to cover the register capital of Quanzhou Baixin using proceeds from the Offering, or, in case this is not feasable, using the Group's own funds. In case the Group fails to pay up Quanzhou Baixin's registered capital according to prescribed time, a fine ranging from 5% to 15% of the default amount will be imposed on the Group which could have a material adverse effect on the Group's business, financial condition, and operation results.

The Company is subject to increased legal, accounting, transparency and administrative requirements, including disclosure requirements. Should the Company fail to comply with its obligations, it may be subject to material sanctions and penalties as set forth under Polish, Dutch or other applicable law, or be otherwise detrimental to the Company or investors.

The Group has been dealing with the increased legal, accounting, transparency and administrative requirements related to holding structure, including only recently with disclosure requirements. The obligation to comply with holding structure requirements, Polish and Dutch Corporate Governance requirements and listing-related 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 put increased demands on the Group's employees. The majority of the Company's Board members reside in China, and they have gained experience with the market standards for listed companies in Poland, Dutch corporate law, or the expectations of international investors only recently.

Should the Company fail to comply with its obligations, it may be subject to material sanctions and penalties as set forth under Polish or Dutch or other applicable 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 indirect principal shareholder who is able to exercise control over the Company, and his decisions may not always be in the best interests 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 decrease 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, 80.8% of the Company's share capital is held by P.I. Investment Limited, wholly owned by the current CEO Mr Qiulin Xie. Following the completion of this Offering and assuming placement of all of the Offer Shares, Mr Qiulin Xie will indirectly hold approximately 65.6% of the issued and outstanding shares in the Company.

Mr Qiulin Xie, through P.I. Investment Limited, 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 direct or indirect 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 decrease 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, Quanzhou Peixin and Quanzhou Baixin, constitute 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 ensure 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% covering the period until 31 December 2013. Fujian Peixin has applied for renewal of the certificate for the next 3 years (i.e. until 31 December 2016) and the procedure is pending. 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 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 that 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 residents.

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 the circular Guoshuihan 2009 No. 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 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 tax authorities view the Company's shareholding in Peixin International BVI 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 Fujian Peixin and/or Quanzhou Peixin and/or Quanzhou Baixin

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 Fujian Peixin, Quanzhou Peixin or Quanzhou Baixin using the services of Chinese 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 the Primary Shares on the WSE. Under Dutch and Polish law, the admission of the shares to trading on the WSE requires completing certain actions and fulfilment of certain admission conditions. There is no guarantee that all of the aforementioned conditions will be met and that the Primary Shares will be admitted to trading and listed on the WSE on the date expected or at all.

The admission of the Primary 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 Primary Shares into deposit; and (iii) that the Management Board of the WSE approves that the Primary Shares are listed and traded on the WSE.

Moreover, the admission of the Primary Shares to trading on the WSE requires the satisfaction of conditions for admission to trading as set out in Paragraph 3 of the WSE Rules. In addition admission of the Shares, including the Primary Shares, for trading on the main market segment of the regulated market (rynek podstawowy) of the WSE requires the satisfaction of conditions for admission to trading as set out in Paragraphs 2.1 and 3 of the Market Ordinance. The conditions mentioned above include free float and capitalisation requirements.

Admission to trading also requires a decision of the WSE Management Board. The WSE Management Board may refuse to admit the Shares, including the Primary Shares, to trading, in particular on the main market, if the conditions set out above are not met.

A WSE Management Board resolution approving the admission to trading of the Shares will be passed following an application filed by an issuer within 14 days of such application being filed, subject to the detailed provisions of the WSE Rules. When examining the application for the admission of securities to be traded on the WSE, the WSE Management Board will take into account: (i) the issuer's financial situation and its forecasts, particularly its profitability, liquidity and debt servicing ability, as well as other factors affecting the issuer's financial performance; (ii) the issuer's development prospects, including assessment of investment objectives taking into account their financing sources; (iii) the experience and qualifications of members of the management and the supervisory bodies of the issuer; (iv) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in Paragraph 35 of the WSE Rules and (v) the security of stock exchange trading and the interests of its participants.

There is no guarantee that all of the aforementioned conditions will be met and that the Shares, including the Primary Shares will be admitted to trading on the main market (rynek podstawowy) or that the Primary Shares will be listed on the WSE, on the date expected or at all.

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) 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 the shares is restricted; (ii) if the shares cease to exist in book entry form; (iii) at the request of the PFSC; or (iv) if the 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 Public Offerings Act, 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, as a result of the governmental reform of the pension fund sector in Poland, in February 2014 the Polish open pension funds, which were considered the largest investor on the Warsaw Stock Exchange, were required to transfer 51.5% of their assets (worth over PLN 153 bln) to the state's Social Security Institution (ZUS). The reform also assumes, among other things, an automatic transfer of retirement contributions to ZUS, instead of pension funds, unless an individual fund member files a declaration (first time-slot will be between 1 April and 31 July 2014) requesting his/her contributions to be transferred to a pension fund. These and other effects of the reform may impact the pension funds' ability to make investments, particularly investments in Shares, which in turn may negatively affect the Shares' market price and liquidity. The market price of the Shares is also subject to fluctuations in response to further issuances 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 decrease 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.

P.I. Investment Limited and the Company agreed that, during the period ending on 360 days after the listing of the Primary Shares, without the written consent of the Offering Agent, they will not nor any other affiliates over which they exercise management or voting control, nor any person acting on or their behalf will, among other things, without written consent of the Offering Agent pledge, offer, sell, transfer or otherwise dispose of the shares or, in the Case of the Company, issue new shares (see *"Placing, Stabilization and Lock-up – Lock-up"*). The Offering Agent may release the abovementioned entities 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 an issuance of new shares, or the possibility that these sales or issuances may occur, may result in a decrease 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. The obligation of P.I. Investment is conditional upon the listing of the Primary Shares on the Listing Date.

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 the 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 the source. Investors in the Shares may also be subject to Dutch taxation on income and capital gains derived from their investment in the Company. 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 are and 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.

Documents incorporated by reference

The following documents have been incorporated by reference in this Prospectus:

- the Articles of Association (the official Dutch version and an English translation thereof);
- the English-language audited consolidated financial statements of the Group for the financial year ended 31 December 2013, together with the independent auditor's report dated 10 March 2014, included on pages 60 to 115 of the Company's annual report for the financial year ended 31 December 2013;
- the English-language audited consolidated financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 (included in the English-language consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012) together with the independent auditor's report dated 17 April 2013, included on pages F - 0 to F 43 of the Company's prospectus dated 17 September 2013;
- the English-language unaudited consolidated financial statements of the Group for the three months period ended 31 March 2014, together with the independent auditor's review report dated 15 May 2014, included in the Company's quarterly report for the period of three months ended 31 March 2014.

Copies of these documents can be obtained in electronic form from the Company's website at www.peixin.com. Potential investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of the Company's website (www.peixin.com) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, 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 IPO. 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 IPO. As at 31 December 2013, the Group comprised of the Company as the parent company - the sole shareholder of Peixin International BVI, which in turn was the sole shareholder of Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd. On 18 April 2014 Quanzhou Baixin was established with Peixin International BVI as its sole shareholder.

There is no historical financial information relating to the Company for the years ending on 31 December 2011 and 31 December 2012. As the Company was incorporated on 2 July 2013, there is also no historical financial information relating to the Company for the full year ended 31 December 2013. The consolidated figures of Peixin International Group Ltd. (Peixin International BVI) have been used as comparative figures.

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.

Considering the above, the Company has included the following financial information in this Prospectus:

- the English-language audited consolidated financial statements of the Group for the financial year ended 31 December 2013, together with the independent auditor's report dated 10 March 2014, included on pages 60 to 115 of the Company's annual report for the financial year ended 31 December 2013;

- the English-language audited consolidated financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 (included in the English-language consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012) together with the independent auditor's report dated 17 April 2013, included on pages F - 0 to F 43 of the Company's prospectus dated 17 September 2013; (together with the English-language audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("**Annual Financial Statements**");

- the English-language unaudited consolidated financial statements of the Group for the three months period ended 31 March 2014, together with the independent auditor's review report dated 15 May 2014, included in the Company's quarterly report for the period of three months ended 31 March 2014 ("**Interim Financial Statements**" and together with the Annual Financial Statements the "**Consolidated Financial Statements**").

Copies of these documents can be obtained in electronic form from the Company's website at www.peixin.com.

The financial data for 2012 and 2013 are derived from the Consolidated Financial Statements for 2013. The financial data for 2011 are derived from the Consolidated Financial Statements for 2010 – 2012.

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 audited. The Interim Financial Statements have been reviewed. The Company draws investor's attention to the fact that the Interim Financial Statements have been reviewed solely in connection with the Offering and it is not the Company's intention to have the Group's quarterly financial statements reviewed in the future.

Change of presentation

The financial data for 2012 shown in this Prospectus are derived from the Consolidated Financial Statements for 2013. In 2013 the Company changed the presentation of the financial data with respect to "other income" line and "other gains and losses" line.

In the Consolidated Financial Statements for 2010 – 2012 the Company recognised interest income on bank deposits for 2012 in the amount of EUR 35 thousand under "*other income*" line whereas in the Consolidated Financial Statement for 2013 interest income on bank deposits was recognised under "*finance income*" line. As a consequence "*other income*" line amounting in 2012 to EUR 200 thousand in the Consolidated Financial Statements for 2010 – 2012 amounted to EUR 165 thousand as comparable figure for 2012 in the Consolidated Financial Statements for 2013. If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "*other income*" line would amount to EUR 128 thousand.

Similarly Foreign exchange gain, net in the amount of EUR 1 thousand was recognised in the Financial Statements for 2010 – 2012 under "*Other gains and losses*" line whereas in the Consolidated Financial Statement for 2013 it was recognised under "finance income" line. As a consequence "*Other gains and losses*" line amounting to EUR (53) thousand for 2012 in the Consolidated Financial Statements for 2010 – 2012 amounted to EUR (54) thousand as comparable figure for 2012 in the Consolidated Financial Statements for 2013 If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "Other gains and losses" line would amount to EUR (9) thousand.

Moreover, in 2013 the Company changed the presentation of the financial data with respect to "administrative expenses – others" line. In the Consolidated Financial Statements for 2010 – 2012 the Company recognised travelling and transportation expenses for 2012 in the amount of EUR 60 thousand under "*administrative expenses – others*" line whereas in the Consolidated Financial Statement for 2013 it was recognised under separate line within "*administrative expenses*" line.

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. Information in this Prospectus on the tissue and hygiene market in China is from independent market research carried out by Euromonitor International Limited. Euromonitor International Limited does not accept any responsibility whatsoever for the contents and decisions made using data from this Prospectus. 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 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
31 December 2013	EUR 1.00 = RMB 8.4189	EUR 1.00 = RMB 8.2396
31 March 2013	EUR 1.00 = RMB 8.0383	EUR 1.00 = RMB 8.2710
31 March 2014	EUR 1.00 = RMB 8.4607	EUR 1.00 = RMB 8.3964

The results and financial positions in functional currency are translated into the presentation currency 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 Primary Shares are subscribed for at the Maximum Offer Price, the gross proceeds from the issuance of the Primary Shares would be PLN 57.00 mln that is, EUR 13.76 mln (calculated based on an average EUR/PLN exchange rate as at 30 May 2014, EUR 1 = PLN 4.1420 as announced by the National Bank of Poland) and the net proceeds from the issuance of the Primary Shares are expected to be approximately EUR 12.61 mln after deduction of the Company's costs of the Offering, including approximately EUR 560 thousand in commissions and fees payable to the Lead Manager and to the financial advisor. The Company expects that other Company's costs of the Offering (excluding the commissions and fees for the Lead Manager and the financial advisor which depend on the gross proceeds from the Offering) will amount to approximately EUR 590 thousand.

The Company will not receive proceeds from the sale of the Secondary Shares.

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 Polish Public Offerings Act.

Proceeds from the offering would be used solely to finance the investment plan described in "*Business of the Group – Investments – Future Investments*". As the proceeds from the offering are not sufficient to fully finance the 2014-15 investment plan, which is predicted to reach RMB 330-360 mln (app. EUR 38.8 – 42.3 million - based on 1 EUR = 8.5043 RMB exchange rate (cross currency rate based on the National Bank of Poland's exchange rates as at May 30, 2014: 1 RMB = 0.4871 PLN and 1 EUR = 4.1420 PLN), the remaining amount should be financed from currently held and internally generated cash as well as debt financing.

Currently, the Group expects to use proceeds from the offering to finance the parts of its investment plan with the highest time priority, which includes land improvement (roads, pavements, piping) as well as construction of the assembly hall and machining workshop. Altogether, expected inflows should finance 100 mln (app. EUR 11.8 mln) of the RMB 120 mln (app. EUR 14.1 mln) (based on 1 EUR = 8.5043 RMB exchange rate (cross currency rate based on the National Bank of Poland's exchange rates as at May 30, 2014: 1 RMB = 0.4871 PLN and 1 EUR = 4.1420 PLN)) budgeted for plant construction in 2014 (see "*Business of the Group – Investments – Future Investments*"). In terms of priorities, the Company intends to begin by preparing the plot and constructing the buildings and equipping them, and then executing the R&D investment afterwards. However, to achieve an efficient construction process, the abovementioned phases may need to be carried out interchangeably to finalise the investment process and start production at the optimal time.

In the event that the inflows from the offering are lower than expected, the Company intends to proceed with its investment plan, and redirect more internal sources to investments with the highest priority. Significantly lower than expected inflows may require rescheduling the currently presented investment plan, resulting in the postponement of some stages of the investment.

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. 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 Primary 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.

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.

Subject to provision of law and financial conditions and depending on the proceeds from the Offering and the Group's investment plan, the Company intends to distribute a certain amount of its distributable profits to shareholders, and is executing its assumed dividend policy. As assumed therein, on 16 May, 2014 the Company distributed the first post-IPO dividend from the consolidated profits of 2013, amounting to approx. 10% of distributable profits. The distribution percentage shall increase in time, as the Company is currently executing a significant investment plan. The Company intends to pay the following future dividends:

- 10-30% of consolidated profits for 2014-2015, during which the Company shall continue to execute its investment plan, therefore the final percentage of dividend distribution will depend on the pace of the investment process, the size of external financing acquired, and the amount of internally generated funds;

- 30-50% of consolidated profits for 2016;

- 50-70% of the consolidated profits after 2016 – on completion of the investment plan, internally generated sources should be sufficient to both finance any further investment needs (if required) and share a significant portion of profits with shareholders.

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

In the AGM 2014 the Company's Shareholders approved a dividend of EUR 0,12 per ordinary share or EUR 1,560,000 in the aggregate and the dividend was paid out on 16 May 2014. The Company has not paid any other 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 PLN. 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.

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 31 March 2014.

(EUR thousands)

	As at 31 March 2014
	(unaudited)
Capitalisation	
Guaranteed/secured current debt*	3,965
Unguaranteed/secured current debt	-
Unguaranteed/unsecured current debt	9,348
Total current debt	**13,313**
Guaranteed/secured non-current debt	-
Unguaranteed/secured non-current debt	-
Unguaranteed/unsecured non-current debt	-
Total non-current debt	**-**
Share Capital	13,000
Share Premium	22,299
Legal Reserves	2,637
Foreign currency translation reserve	1,131
Other Reserves	6,025
Shareholders' Equity	**45,092**
Total Debt and Shareholders' equity	**58,405**
Net indebtedness	
Cash & Cash Equivalents	10,349
Bank Overdraft	-
Trading securities	-
Liquidity	**10,349**
Current financial receivable	**10,294**
Current bank debt	(3,965)
Current portion of non-current debt	-
Other current financial debt	(8,403)
Current financial debt	**(12,368)**
Net current financial indebtedness	**8,275**
Non-current bank loans	-

Other non-current loans.....	-
Non-current financial indebtedness	-
Net financial indebtedness	**8,275**

* Comprises of loans described in "*Business of the Group – Material Agreements – Loans*", secured by personal guarantee of Mr Qiulin Xie and mortgages described in "*Business of the Group – Material Agreements – Guarantees and mortgages*"

Source: the Company

Since 31 March 2014 there have been no material changes to the table above.

Indirect and contingent indebtedness

As at 31 March 2014 the Group had no indirect and contingent indebtedness.

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 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 31 December 2013	EUR 1.00 = RMB 8.2396
Closing rate as of 31 December 2013	EUR 1.00 = RMB 8.4189
Average weighted rate for the year ended 31 March 2013	EUR 1.00 = RMB 8.2710
Closing rate as of 31 March 2013	EUR 1.00 = RMB 8.0383
Average weighted rate for the year ended 31 March 2014	EUR 1.00 = RMB 8.3964
Closing rate as of 31 March 2014	EUR 1.00 = RMB 8.4607

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 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	
	2011	**2012**	**2013**	**31/03/2013**	**31/03/2014**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
		(audited)		**(unaudited)**	
Revenue	32,839	46,509	59,407	10,590	12,434
Cost of sales	(20,845)	(29,619)	(37,085)	(6,796)	(7,757)
Gross profit	11,994	16,890	22,322	3,794	4,677
Other income*	159	165*	272	94	6
Distribution and selling expenses	(817)	(1,025)	(1,121)	(213)	(230)
Administrative expenses	(947)	(1,219)	(1,406)	(326)	(407)
Research and development expenses	(782)	(1,019)	(1,434)	(231)	(256)
Profit from operations*	9,607	13,792	18,633	3,118	3,790
Other gains and losses*	18	(54)*	(7)	3	-
Finance income*	-	36*	116	82	51
Finance costs	(169)	(247)	(215)	(61)	(39)
Profit before tax	9,456	13,527	18,527	3,142	3,802
Income tax expense	(1,261)	(2,158)	(2,755)	(512)	(589)
Profit for the year	8,195	11,369	15,772	2,630	3,213
Other comprehensive income					
Items that will not be reclassified to profit or loss					
IPO costs	-	-	(607)	-	-
Items that will be reclassified to profit or loss					
-currency translation differences	1,406	(270)	(691)	917	(357)
Total comprehensive income for the year	9,601	11,099	14,474	3,547	2,856

Source: Consolidated Financial Statements

* The financial data for 2012 are derived from the Consolidated Financial Statements for 2013. In 2013 the Company changed the presentation of the financial data with respect to "*other income*" line and "*other gains and losses*" line.

In the Consolidated Financial Statements for 2010 – 2012 the Company recognised interest income on bank deposits for 2012 in the amount of EUR 35 thousand under "*other income*" line whereas in the Consolidated Financial Statement for 2013 interest income on bank deposits was recognised under "*finance income*" line. As a consequence "*other income*" line for 2012 amounting to EUR 200 thousand in the Consolidated Financial Statements for 2010 – 2012 amounted to EUR 165 thousand as comparable figure for 2012 in the Consolidated Financial Statements for 2013. If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "*other income*" line would amount to EUR 128 thousand.

Similarly Foreign exchange gain, net in the amount of EUR 1 thousand was recognised in the Financial Statements for 2010 – 2012 under "*Other gains and losses*" line whereas in the Consolidated Financial Statement for 2013 it was recognised under "finance income" line. As a consequence "*Other gains and losses*" line amounting for 2012 to EUR (53)

thousand in the Consolidated Financial Statements for 2010 – 2012 amounted to EUR (54) thousand as comparable figure for 2012 in the Consolidated Financial Statement for 2013 If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "*Other gains and losses*" line would amount to EUR (9) thousand.

Selected consolidated statements of financial position data

	31 December			31 March
	2011	**2012**	**2013**	**2014**
	TEUR	**TEUR (audited)**	**TEUR**	**TEUR (unaudited)**
Non-current assets				
Property, plant and equipment	9,533	9,574	13,012	15,064
Prepaid lease payments	1,006	965	5,683	10,968
Investment properties	720	659	604	13
Other deferred assets	1,022	810	610	560
	12,281	12,008	19,909	26,605
Current assets				
Inventories	7,044	6,734	7,953	10,767
Trade and other receivables	3,161	4,429	10,204	10,662
Prepaid lease payments	23	22	22	22
Related parties receivables	480	-	-	-
Bank balances and cash	4,014	11,435	11,983	10,349
	14,722	22,620	30,162	31,800
Current liabilities				
Trade and other payables	2,594	2,210	3,159	2,662
Related parties payables	-	-	231	230
Advance from customers	1,096	3,582	3,653	5,758
Income tax payable	517	672	792	698
Bank borrowings	3,498	4,034	-	3,965
	7,705	10,498	7,835	13,313
Net current assets	7,017	12,122	22,327	18,487
Total assets less current liabilities	19,298	24,130	42,236	45,092
Non-current liability	-	-	-	-
Net asset	19,298	24,130	42,236	45,092
Capital and reserves				
Paid-in capital	41	41	13,000	13,000
Reserves	19,257	24,089	29,236	32,092
Total equity	19,298	24,130	42,236	45,092

Source: Consolidated Financial Statements

Selected consolidated statements of cash flow data

	31 December			Period ended	
	2011	**2012**	**2013**	**31/03/2013**	**31/03/2014**
	TEUR	**TEUR (audited)**	**TEUR**	**TEUR (unaudited)**	**TEUR**
Operating activities					
Profit before tax	9,456	13,527	18,527	3,142	3,802
Adjustments for:					
Finance cost	169	247	215	61	39

	31 December			Period ended	
	2011	2012	2013	31/03/2013	31/03/2014
	TEUR	TEUR	TEUR	TEUR	TEUR
		(audited)		(unaudited)	
Interest income	(31)	(35)	(117)	(77)	(39)
Depreciation of property, plant and equipment	869	961	1,323	331	468
Amortization of prepaid lease payments	21	23	22	6	6
Amortization of investment properties	44	48	48	12	1
Amortization of other deferred assets	125	196	195	48	48
Losses on disposal of property, plant and equipment	10	-	9	-	-
Operating cash flows before movements in working capital	10,663	14,967	20,222	3,523	4,325
Increase (decrease) in inventories	(2,846)	310	(1,219)	(4,141)	(2,814)
Increase (decrease) in trade and other receivables	(1,994)	(1,268)	(5,775)	(802)	(458)
Increase (decrease) in related parties receivables	(332)	480	-	-	-
Increase (decrease) in pledged bank deposits	143	-	-	-	-
Increase (decrease) in other deferred assets	(272)	-	-	-	-
Increase (decrease) in trade and other payables	1,060	(384)	949	(20)	(497)
Increase (decrease) in related parties payables	-	-	231	-	(1)
Increase (decrease) in advance from customers	(328)	2,486	71	889	2,105
Cash generated from operations	6,094	16,591	14,479	(551)	2,660
Income taxes paid	(951)	(1,991)	(2,616)	(606)	(840)
NET CASH FROM / USED IN OPERATING ACTIVITIES	5,143	14,600	11,863	(1,157)	1,820
Investing activities					
Interest received	31	35	117	77	39
Purchase of property, plant and equipment	(707)	(1,184)	(4,963)	-	(1,865)
Purchase of land use right	-	-	(4,855)	-	(5,359)
Proceeds on disposal of property, plant and equipment	54	-	-	-	-
NET CASH FROM / USED IN INVESTING ACTIVITIES	(622)	(1,149)	(9,701)	77	(7,185)
Financing activities					
Interest paid	(169)	(247)	(215)	(61)	(39)
Dividends paid	(3,207)	(6,267)	-	-	-

	31 December			Period ended	
	2011	2012	2013	31/03/2013	31/03/2014
	TEUR	TEUR (audited)	TEUR	TEUR (unaudited)	TEUR
New bank loans raised	3,166	4,094	-	-	3,965
Proceeds from issue of share capital	-	-	3,580	-	-
Payments of IPO issuing expenses	-	-	(607)	-	(110)
Repayment of borrowings	(2,988)	(3,484)	(4,072)	-	-
NET CASH FROM / USED IN FINANCING ACTIVITIES	(3,198)	(5,904)	(1,314)	(61)	3,816
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1,323	7,547	848	(1,141)	(1,550)
Add: Exchange difference	816	(126)	(300)	675	(85)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,875	4,014	11,435	11,435	11,983
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	4,014	11,435	11,983	10,969	10,349

Source: Consolidated Financial Statements

Selected ratios

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

Profitability ratios in EUR (RMB)	2011	2012 (unaudited)	2013
Tax burden[1]	0.87	0.84	0.85
Interest burden[2]	0.98	0.98	0.99
Operating margin[3]	0.29	0.30	0.31
Net margin[4]	0.25	0.24	0.27
Asset Turnover[5]	1.42 (1.52)	1.51 (1.50)	1.40
ROA (Return on Assets)[6]	**0.36 (0.38)**	**0.37 (0.37)**	**0.37 (0.37)**
Leverage[7]	**1.43**	**1.42**	**1.28**
ROE (Return on Equity)[8]	**0.51**	**0.52**	**0.48**

* *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

OPERATING AND FINANCIAL REVIEW

The following Operating and Financial Review discusses the Group's historical financial results as at and for the years ending on December 31, 2013, 2012 and 2011 as well as for three-month periods ending on 31 March 2013 and on 31 March 2014 and as at 31 March 2014. Potential investors should read the following discussion in conjunction with the Consolidated Financial Statements, and in conjunction with other information contained in the Prospectus, in particular 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 IPO. 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 IPO. As at 31 December 2013, the Group comprised of the Company as the parent company – the sole shareholder of Peixin International BVI, which in turn was the sole shareholder of Fujian Peixin Machine Manufacture Industry Co., Ltd. and Quanzhou Peixin Machine Manufacture Industry Co., Ltd. On 18 April 2014 Quanzhou Baixin Machinery Manufacturing Industrial Co., Ltd was established with Peixin International BVI as its sole shareholder.

There is no historical financial information relating to the Company for the years ending on 31 December 2011 and 31 December 2012. As the Company was incorporated on 2 July 2013, there is also no historical financial information relating to the Company for the full year ended 31 December 2013. The consolidated figures of Peixin International BVI have been used as comparative figures.

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.

Considering the above, the Company has included the following financial information in this Prospectus:

- *the English-language audited consolidated financial statements of the Group for the financial year ended 31 December 2013, together with the independent auditor's report dated 10 March 2014, included on pages 60 to 115 of the Company's annual report for the financial year ended 31 December 2013;*

- *the English-language audited consolidated financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 (included in the English-language consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012) together with the independent auditor's report dated 17 April 2013, included on pages F – 0 to F 43 of the Company's prospectus dated 17 September 2013;*

- *the English-language unaudited consolidated financial statements of the Group for the three months period ended 31 March 2014, together with the independent auditor's review report dated 15 May 2014, included in the Company's quarterly report for the period of three months ended 31 March 2014.*

Copies of these documents can be obtained in electronic form from the Company's website at www.peixin.com.

The financial data for 2012 and 2013 are derived from the Consolidated Financial Statement for 2013. The financial data for 2011 are derived from the Consolidated Financial Statements for 2010 – 2012.

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.

Overview

The Group designs, researches and develops, manufactures and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. With 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according 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 36%, 47%, 13% and 4% of the Group's revenues for 2013 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 its 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 an ISO, European Union CE certificate and in 2005, 2008 and 2011 was awarded the "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. 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 current only production facility is located in Quanzhou, Fujian province in China, which was recently expanded as a result of finalising the first phase of the investment. The Group intends to open a new factory at the beginning of 2016 and perceives the opening of the new factory 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, the Middle East, 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 further strengthen its existing distribution coverage in China and expand it from the current coastal areas to other inland and economically growing regions, including the provinces of Henan, and Hunan. The Group believes that the development of its domestic distribution force will allow it to increase sales of its products. Since the beginning of 2014 the Group's service staff is present in Ankara, Turkey to provide after-sales support for clients, not only in Turkey, but also in continental Europe, North Africa and the Middle East. The Company is evaluating possible options to open overseas offices. The Group also intends to intensively increase its direct sale in further selected overseas markets such as India and Turkey by increasing promotional efforts such as targeted advertising and participation in exhibitions. The Company would also like to continue using indirect distribution channels (distributors), especially to sell to regions where its direct presence is either impossible or suboptimal, due to the political situation, business connections, etc.

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 the 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 in China and developing countries has grown significantly in recent years. 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 producing the above mentioned consumer products.

The Group believes that the trend in China and developing countries and regions (such as India, the Middle East, 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 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 a 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 Turkey) 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.

Domestic market trend

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

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 increased 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

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 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: National Bureau of Statistics of China).*

In 2011, 2012 and 2013, employee costs accounted for EUR 2,344 thousand, EUR 2,470 thousand and EUR 3,351 thousand, respectively, and constituted 10.0%, 8.6% and 8.8% respectively of the Group's production costs. Although the Group expects that salaries in China will continue to grow, the Group believes that the employee costs will not have a significant influence on the Group's operating results as the share of the employee costs in the Group's overall costs is not significant.

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 is and will affect the Group's business. The consolidation process results in increased demand for new daily-use hygiene product machines. In the first half of 2013, the Group made a decision to extend payment terms to its main customers, who were leading the process of consolidation. This resulted in increased orders from these customers. This policy improved its competitive position on the market, although it also impacted its short-term operational results due to longer collection periods. The Group expects that the consolidation process will continue in the future.

Tax policy and changes in applicable tax provisions

The applicable standard enterprise income tax rate of Fujian Peixin is 25% since 1 January 2008. Being a foreign-owned enterprise, Fujian Peixin was 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 2011 is 12.5%.

Fujian Peixin obtained the "High and New Technology" certificate in 2011 and since 2012 has been enjoying a low tax rate of 15% which covered the period until December 31 2013. The Group intends to apply to renew the certificate for the next 3 years (i.e. 31 December 2016) and expects that the tax rate of 15% will be applicable to Fujian Peixin also for this period, although the procedure is still pending.

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

Availability of bank financing

The availability of bank financing for the Group in China is limited. Based on its knowledge of the market practice, the Company believes that receiving bank borrowings without providing collateral in the form of leasehold rights to the land or buildings may be very difficult if at all possible. Almost all of the Group's land and premises are pledged as of the date of the Prospectus. See "*Business of the Group – Real estate property*".

Consequently, the Group believes that it has a very limited capacity to obtain further bank financing until it acquires new real estate which would be eligible to be used as a pledge.

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**
2012/2011	-1.9%	9.1%
2013/2012	-1.2%	-0.5%

Source: the Company

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

Seasonality

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

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

Results of operations

Years ending on 31 December 2011, 31 December 2012 and 31 December 2013

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 2011, 2012 and 2013 on a combined basis, which was derived from the audited Consolidated Financial Statements.

	31 December			**Change**	
	2011	**2012**	**2013**	**2011/2012**	**2012/2013**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Revenue	32,839	46,509	59,407	41.6	27.7
Cost of sales	(20,845)	(29,619)	(37,085)	42.1	25.2
Gross profit	11,994	16,890	22,322	40.8	32.2
Other income*	159	165	272	3.8	64.8
Distribution and selling expenses	(817)	(1,025)	(1,121)	25.5	9.4
Administrative expenses	(947)	(1,219)	(1,406)	28.7	15.3
Research and development expenses	(782)	(1,019)	(1,434)	30.3	40.7
Profit from operations*	9,607	13,792	18,633	43.6	35.1
Other gains and losses*	18	(54)	(7)	(400.0)	87.0
Finance income*	-	36	116	100	222.2
Finance costs	(169)	(247)	(215)	46.2	13.0
Profit before tax	9,456	13,527	18,527	43.1	37.0
Income tax expense	(1,261)	(2,158)	(2,755)	71.1	27.7

Profit for the year	8,195	11,369	15,772	38.7	38.7
Other comprehensive income					
Items that will not be reclassified to profit or loss					
IPO costs.....	-	-	(607)	-	100
Items that will be reclassified to profit or loss					
-currency translation differences	1,406	(270)	(691)	(119.2)	155.9
Total comprehensive income for the year.	9,601	11,099	14,474	15.6	30.4

Source: Consolidated Financial Statements

* The financial data for 2012 are derived from the Consolidated Financial Statement for 2013. In 2013 the Company changed the presentation of the financial data with respect to "*other income*" and "*other gains and losses*".

In the Consolidated Financial Statements for 2010-2012 the Company recognised interest income on bank deposits for 2012 in the amount of EUR 35 thousand under "*other income*" whereas in the Consolidated Financial Statement for 2013 interest income on bank deposits was recognised under "*finance income*". As a consequence, "*other income*" amounting for 2012 to EUR 200 thousand in the Consolidated Financial Statements for 2010 – 2012 amounted to EUR 165 thousand as a comparable figure for 2012 in the Consolidated Financial Statement for 2013. If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data the "*other income*" would amount to EUR 128 thousand.

Similarly, a net foreign exchange gain for 2012 of EUR 1 thousand was recognised in the Financial Statements for 2010-2012 under "*Other gains and losses*" whereas in the Consolidated Financial Statement for 2013 it was recognised under "finance income". As a consequence, "*Other gains and losses*" amounting for 2012 to EUR (53) thousand in the Consolidated Financial Statements for 2010-2012 amounted to EUR (54) thousand as a comparable figure for 2012 in the Consolidated Financial Statement for 2013. If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data, the "*Other gains and losses*" would amount to EUR (9) thousand.

Revenues

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

Revenues increased by EUR 13,670 thousand or 41.6% from EUR 32,839 thousand in 2011 to EUR 46,509 thousand in 2012 and by EUR 12,898 thousand or 27.7% to EUR 59,407 thousand in 2013. Whereas the number of units sold by the Group decreased from 566 in 2011 to 562 in 2012 and increased to 674 in 2013. In 2012, the Group sold less small 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. The growth in revenues in 2013 was mainly the result of increased sales (especially more technologically advanced machines, such as full servo machines). *In 2013, the Group slightly increased the price for some types of diaper and tissue machines, in connection with the technological upgrade.* The growth in revenues was also supported in 2013 by an increase of units sold.

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 2011, 2012 and 2013.

	31 December						Change in value	
Revenue:	**2011**		**2012**		**2013**		**2011/2012**	**2012/2013**
	Unit	**TEUR**	**Unit**	**TEUR**	**Unit**	**TEUR**	**%**	**%**
			(audited)				**(unaudited)**	
Sanitary napkins machines	45	13,431	64	19,537	81	27,916	45.5	42.9

Diaper machines.....	26	9,343	35	16,219	49	21,627	73.6	33.3
Facial tissue machines.....	466	7,996	396	7,130	459	7,420	(10.8)	4.1
Other paper machines.....	29	2,069	67	3,623	85	2,444	75.1	(32.5)
	566	32,839	562	46,509	674	59,407	41.6	27.7

Source: Consolidated Financial Statements

Sanitary napkins machines

Revenues from the sale of sanitary napkin machines constituted 40.9% of the Group's revenues in 2011, 42.0% in 2012 and 47.0% in 2013. Revenues from the sale of sanitary napkin machines increased by EUR 6,106 thousand or 45.5% from EUR 13,431 thousand in 2011 to EUR 19,537 thousand in 2012 and by EUR 8,379 thousand or 42.9% in 2013. 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). The increase in 2013 as compared to 2012 was mainly driven by an increased volume of sales accompanied by an increase of sales of full servo machines in this segment.

Diaper machines

Revenues from the sale of diaper machines constituted 28.5% of the Group's revenues in 2011, 34.9% in 2012 and 36.4% in 2013. Revenues from the sale of diaper machines increased from EUR 9,343 thousand in 2011 by EUR 6,876 thousand or 73.6% to EUR 16,219 thousand in 2012 and by EUR 5,408 thousand or 33.3% to EUR 21,627 thousand in 2013. The increase in 2012 as compared to 2011 was mainly the result of an increased number of units sold together with 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. The increase in 2013 as compared to 2012 was mainly the result of an increased number of units sold whereas the Group sold more machines of lower per-unit price.

Facial tissue machines

Revenues from the sale of facial tissue machines constituted 24.3% of the Group's revenues in 2011, 15.3% in 2012 and 12.5% in 2013. 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 and increased by EUR 290 thousand or 4.1% to EUR 7,420 thousand in 2013. The decrease in 2012 was the result of a drop in the volume of sales. The increase in 2013 was the result of the increased number of units sold whereas the Group sold more machines of lower per-unit price.

Other paper machines

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

Revenues from the sale of other paper machines constituted 6.3% of the Group's revenues in 2011, 7.8% in 2012 and 4.1% in 2013. Revenues from the sale of other paper machines increased from EUR 2,069 thousand in 2011 by EUR 1,554 thousand or 75.1% to EUR 3,623 thousand in 2012 and decreased by EUR 1,179 thousand or by 32.5% to EUR 2,444 thousand in 2013. In 2012, the Company sold 12 high-tech pad machines of significant per-unit value as well as many complimentary machines (add-ons) of lower per-unit value. The decrease in the average price in 2013 resulted from the fact that the production mix was shifted more towards smaller machines and add-ons (such as stacker, bagger, etc.) which are of low per-unit value. The revenue generated in this segment is mainly driven by production volume in other segments and is not the core business of the Group.

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 2011, 2012 and 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 (ii) directly to international customers. The Group's growth in revenues in 2013 was mainly generated on the domestic market (63% of the revenues) following the trends of increased domestic consumption. Meanwhile, the Group remains focused on building and maintaining strong relations with its international clients and developing business directly in the overseas market. The diversification of sales between domestic and international markets, while maintaining a significant presence on both of them, remains the Group's strategic goal.

	31 December						**Change in value**	
	2011		**2012**		**2013**		**2011/2012**	**2012/2013**
	Unit	**TEUR**	**Unit**	**TEUR**	**Unit**	**TEUR**	**%**	**%**
			(audited)				**(unaudited)**	
Revenue:								
Direct sales								
-Mainland China.....	261	21,077	328	24,818	428	37,247	17.7	50.1
-Outside Mainland China	61	2,698	51	2,203	46	5,050	(18.3)	129.2
Sales to trading companies	244	9,064	183	19,488	200	17,110	115.0	(12.2)
		32,839		46,509	674	59,407	41.6	27.7

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 27.6% of the Group's total sales in 2011, 41.9% in 2012 and 28.8% in 2013. Revenues from sales to trading companies increased from EUR 9,064 thousand in 2011 by EUR 10,424 thousand or 115.0% to EUR 19,488 thousand in 2012 and decreased by EUR 2,378 thousand or 12.2% to EUR 17,110 thousand in 2013.

The Group continues to use this trading channel together with focusing on the development of direct international sales. The Group uses indirect distribution channels mainly to reach countries which are less prospective or where doing business through distributors is more convenient (for political and business reasons), e.g. Afghanistan or Syria. In the most prospective ones, the Group prefers to operate directly.

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 25.0% 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 at EUR 2,403 thousand.

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

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. Currently the Company is developing its direct presence in overseas

markets. Although the total number of machines sold through this distribution channel slightly decreased compared to 2012, the Company more than doubled its revenue as the Group managed to directly sell more technologically advanced machines of high per-unit price.

Direct sales in mainland China

Revenues from direct sales in mainland China constituted 64.2% of the Group's sales in 2011, 53.4% in 2012 and 62.7% in 2013. Revenues from the direct sales in Mainland China increased from EUR 21,077 thousand in 2011 by EUR 3,741 thousand or 17.7% to EUR 24,818 thousand in 2012 and by EUR 12,429 thousand or 50.1% to EUR 37,247 thousand in 2013. The nominal increase in 2012 compared to 2011 was mainly the result of the currency translation effect. See "*Key factors affecting operating and financial results*". The relatively lower 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 growth in RMB terms in mainland China was mainly generated by expanding the customer base in the middle and western parts of China, such as Henan, Hunan, and Sichuan. The increase of direct sales in 2013 was the result of the increased sales of sophisticated machines, especially full-servo sanitary napkin machines and diaper machines.

Cost of sales

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

	31 December			Change	
	2011	**2012**	**2013**	**2011/2012**	**2012/2013**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Changes in inventories of finished goods and works in progress	(2,965)	948	(1,122)	(132.0)	(218.4)
-Glue machines and motors	6,516	8,312	11,875	27.6	42.9
-Steel	3,993	5,081	5,303	27.2	4.4
-Electric controllers	3,039	3,771	5,816	24.1	54.2
-Knife roller\cylinder	1,153	950	1,196	(17.6)	25.9
-Other components	3,477	4,440	5,765	27.7	29.8
-Auxiliary materials	738	1,163	1,324	57.6	13.8
Materials consumed in production	18,916	23,717	31,279	25.4	31.9
Labour	2,344	2,470	3,351	5.4	35.7
Depreciation and amortization	687	779	1,165	13.4	49.6
Outsourced manufacturing cost	817	884	1,307	8.2	47.9
Taxes and surcharges	297	470	547	58.2	16.4
Water and electricity	293	347	495	18.4	42.7
Others	65	75	131	15.4	74.7
Foreign currency translation difference	391	(71)	(68)	(118.2)	(4.2)
	20,845	29,619	37,085	42.1	25.2

Source: Consolidated Financial Statements

The costs of sales is the cost of production reconciled by changes in inventories of finished goods and works in progress and foreign currency translation differences, which amounted to EUR 23,419 thousand in 2011, EUR 28,742 thousand in 2012 and EUR 38,275 thousand in 2013. The cost of production increased by EUR 5,323 thousand or 22.7% in 2012 compared to 2011 and by EUR 9,533 thousand or 33.2% in 2013 compared to 2012.

Materials consumed in production

The main cost of production was materials consumed in production which constituted 80.8% of the Group's production costs in 2011, 82.5 % in 2012 and 81.7% in 2013. The cost of materials increased from EUR 18,916 thousand in 2011 by EUR 4,801 thousand or 25.4% to EUR 23,717 thousand in 2012 and by EUR 7,562

thousand or 31.9% to EUR 31,279 thousand in 2013. 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 and 27.7% in 2013. The differences between the growth rates of increased sales and materials consumed in production in 2012 resulted mainly from the 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 higher growth of the costs of the production in 2013 for the period was mainly the result of an increase in material consumed in production, mainly glue machines, motors and electric controllers which are required for the production of sanitary and diaper machines.

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 6,516 thousand in 2011 by EUR 1,796 thousand or 27.6% to EUR 8,312 thousand in 2012 and by EUR 3,563 thousand or 42.9% to EUR 11,875 thousand in 2013. 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, electronic controllers 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 10.0% of the Group's production costs in 2011, 8.6% in 2012 and 8.8% in 2013. The cost of labour increased from EUR 2,344 thousand in 2011 by EUR 126 thousand or 5.4% to EUR 2,470 thousand in 2012 and by EUR 881 thousand or 35.7% to EUR 3,351 thousand in 2013.

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 2012, the 5.4% growth was related mainly to an increase in the number of working hours per day. In 2013, 35.67% growth was triggered by the increase in both the number of working hours related, among others, to overtime work of employees, and the average hourly wages of employees. See "*Business Description*".

Depreciation and amortisation

Depreciation and amortisation recorded in the costs of production represented the depreciation of plants and production machinery and the amortisation of leasehold land attributable to production plants. Depreciation and amortisation constituted 2.9% of the Group's production costs in 2011, 2.7% in 2012 and 3.0% in 2013. Depreciation and amortisation increased from EUR 687 thousand in 2011 by EUR 92 thousand or 13.4% to EUR 779 thousand in 2012 and increased from EUR 779 thousand in 2012 by EUR 386 thousand or 49.6% to EUR 1,165 thousand in 2013. The increase in 2012 compared with 2011 was mainly the result of currency translation effect. The increase in 2013 resulted from the Group, as a part of its investment plan, renovating and reconstructing part of its production premises increasing their value in 2012 and in consequence increasing the depreciation charge in 2013.

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 3.5% of the Group's production costs in 2011, 3.0% in 2012 and 3.5% in 2013. Outsourced manufacturing costs increased from EUR 817 thousand in 2011 by EUR 67 thousand or 8.2% to EUR 884 thousand in 2012 and increased from EUR 884 thousand in 2012 by EUR 423 thousand or 47.9% to EUR 1,307 thousand in 2013. The increase in 2012 in relation to 2011 was stable. Outsourced manufacturing costs grew in 2013 due to the fact that while the Group approached capacity limits, especially during production peaks, it outsourced a fragment of parts production. Partial outsourcing of this part of the business is almost inconsequential for the Company's operating model as both its cost and quality is similar to the Company's internal production.

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 1.4% of the Group's costs of production in 2011, 1.6% in 2012 and 1.5% in 2013. The cost of taxes and surcharges increased from EUR 297 thousand in 2011 by EUR 173 thousand or 58.2% to EUR 470 thousand in 2012. The cost of taxes and surcharges increased from EUR 470 thousand in 2012 by EUR 77 thousand or 16.4% to EUR 547 thousand in 2013. The increase in 2012 in relation to 2011 was mainly the result of the fact that certain taxes became applicable for the Group starting in 2011.

Gross profit

Gross profit increased from EUR 11,994 thousand in 2011 by EUR 4,896 thousand or 40.8% to EUR 16,890 thousand in 2012 and increased from EUR 16,890 thousand in 2012 by EUR 5,432 thousand or 32.2% to EUR 22,322 thousand in 2013.

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 2011, 2012 and 2013.

	31 December			Change	
	2011	**2012**	**2013**	**2011/2012**	**2012/2013**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Segment gross profit					
Sanitary napkin machines	5,106	7,161	10,589	40.2	47.9
Diaper machines	3,512	5,923	8,333	68.7	40.7
Facial tissue machines	2,684	2,468	2,629	(8.0)	6.5
Other paper machines	692	1,338	771	93.4	(42.4)
	11,994	16,890	22,322	40.8	32.2

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 2011, 2012 and 2013.

	31 December			Change	
	2011	**2012**	**2013**	**2011/2012**	**2012/2013**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(unaudited)		**(unaudited)**	
Segment gross margin					
Sanitary napkin machines	38.0	36.7	37.9	(3.4)	3.3
Diaper machines	37.6	36.5	38.5	(2.9)	5.5
Facial tissue machines	33.6	34.6	35.4	3.0	2.3
Other paper machines	33.4	36.9	31.6	10.5	(14.4)
Total gross margin	36.5	36.3	37.6	(0.5)	3.6

Source: Consolidated Financial Statements

The Group's gross margin generally remained stable in the period 2011 to 2013. The decrease of the gross margin in the sanitary napkin machine and diaper machine segments in 2012 in relation to 2011 was mainly the

result of increased costs with a stable price of products. The mentioned increase was a result of enhancing the quality of the Group's products in the sanitary napkin machine and diaper machine segments.

The Group managed to increase its margins in every segment apart from other paper machines, where margin was extraordinarily high in 2012 due to a significant share of fruit pad machines in segment revenues. In 2013, less fruit pad machines were sold in favour of an increased number of add-ons (complimentary machines), which generate a slightly lower margin. The other paper machines segment is a non-core segment. Profit generated in this segment amounted to less than 4% of the total gross profit generated by the Group. The higher prices of the machines, which led to higher margins, were possible because the Group was able to sell more technologically advanced machines.

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 2011, 2012 and 2013.

	31 December			**Change**	
	2011	**2012**	**2013**	**2011/2012**	**2012/2013**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Government grant	44	85	7	93.2	(91.8)
Rental income	19	21	36	10.5	71.4
Sales of spare parts	65	59	229	(9.2)	288.1
	159	165*	272	3.8*	64.9

Source: Consolidated Financial Statements

* The financial data for 2012 are derived from the Consolidated Financial Statement for 2013. In 2013 the Company changed the presentation of the financial data with respect to "*other income*" and "*other gains and losses*".

In the Consolidated Financial Statements for 2010-2012, the Company recognised interest income on bank deposits for 2012 in the amount of EUR 35 thousand under "*other income*" whereas in the Consolidated Financial Statement for 2013 interest income on bank deposits was recognised under "*finance income*". As a consequence "*other income*" amounting for 2012 to EUR 200 thousand in the Consolidated Financial Statements for 2010 – 2012 amounted to EUR 165 thousand as a comparable figure for 2012 in the Consolidated Financial Statement for 2013. If the presentation of the financial data adopted in the Consolidated Financial Statement for 2013 was applied to the 2011 data, the "*other income*" would amount to EUR 128 thousand.

Government grants

Government grants contain various one-off grants the Group received from the PRC government, which are project-driven.

Rental income

Rental income of the Group is entirely generated by Quanzhou Peixin from the 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 2011, 2012 and 2013 amounted to EUR 63.1 thousand, 69.5 thousand and EUR 84.3 thousand respectively.

Sale of spare parts

The sale of spare parts in 2011, 2012 and 2013 amounted to EUR 65 thousand, EUR 59 thousand and EUR 229 thousand. In 2013, the Company generated significantly higher income from sales of spare parts, which in total amounted to over 80% of other income. The increase was mainly the result of the increased sale of spare parts for high-tech machines, which can be delivered only by the Group and cannot be sourced from other producers by the clients.

Distribution and Selling Expenses

The table below presents distribution and selling expenses in 2011, 2012 and 2013.

	31 December			Change	
	2011	**2012**	**2013**	**2011/2012**	**2012/2013**
	TEUR	**TEUR**	**TEUR**	**%**	**%**
		(audited)		**(unaudited)**	
Staff costs	363	461	530	27.0	15.0
Marketing and advertising costs	293	301	257	2.7	(14.6)
Post-sales services costs	39	101	164	159.0	62.4
Travelling costs	52	99	60	90.4	(39.4)
Depreciation	-	-	6	-	100.0
Others	70	63	104	(10.0)	65.1
	817	1,025	1,121	25.5	9.4

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 363 thousand in 2011 by EUR 98 thousand or 27.0% to EUR 461 thousand in 2012 and by EUR 69 thousand or 15.0% to EUR 530 thousand in 2013 mainly as a result of the increased sales commission-based remuneration of selling staff.

Post-sales services costs

Post-sales services costs are mainly costs of spare parts used by the Group to service its products during the warranty period. Post-sales services costs increased by EUR 62 thousand or by 159.0% in 2012 and by EUR 63 thousand, or 62.4%, to EUR 164 thousand in 2013 mainly as a result of increased spare part costs as the Group provided more service for its products to clients 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 947 thousand in 2011 by EUR 272 thousand or 28.7% to EUR 1,219 thousand in 2012 and by EUR 187 thousand or by 15.3% to EUR 1,406 thousand in 2013. In 2013, the Group also paid a one-off professional service fee in connection with preparations for the IPO. Some other administrative expenses such as travelling and transportation costs increased due to the fact that the Company became listed on the Warsaw Stock Exchange and held its general meetings in the Netherlands.

The following table presents the Group's administrative expenses broken down into categories for each of the three years ending on 31 December 2011, 2012 and 2013.

	31 December			Change	
	2011	2012	2013	2011/2012	2012/2013
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Staff costs	286	326	399	14.0	22.4
Depreciation and amortization charges	310	401	362	29.4	(9.7)
Entertainment and office expenses	119	210	242	76.5	15.2
Miscellaneous taxes	159	186	171	17.0	(8.1)
Travelling and transportation expenses	-	60	166	100.0	176.7
Professional service fee	-	6	-	-	(100.0)
Others*	73	30	66	(58.9)	120.0
	947	1,219	1,406	28.7	15.3

Source: Consolidated Financial Statements

* In 2013, the Company changed the presentation of the financial data with respect to "administrative expenses – others. In the Consolidated Financial Statements for 2010 – 2012 the Company recognised travelling and transportation expenses for 2012 in the amount of EUR 60 thousand under "administrative expenses – others" whereas in the Consolidated Financial Statement for 2013 it was recognised under a separate line within "administrative expenses".

Staff costs

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

Depreciation and amortisation charges

Depreciation and amortization recorded in the administrative expenses represented the depreciation of office buildings and employee dorms, and the 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

In 2013 the Company changed the presentation of the financial data with respect to "*administrative expenses – others*". In the Consolidated Financial Statements for 2010 – 2012 the Company recognised travelling and transportation expenses for 2012 in the amount of EUR 60 thousand under "*administrative expenses – others*" whereas in the Consolidated Financial Statement for 2013 it was recognised under a separate line within "administrative expenses". The majority of others are traffic and vehicle management fees.

Research and Development Expenses

Research and development expenses increased from EUR 782 thousand in 2011 by EUR 237 thousand or 30.3% to EUR 1,019 thousand in 2012 and by EUR 415 thousand or 40.7%, from EUR 1,019 thousand in year

2012 to EUR 1,434 thousand in 2013 mainly as a result of more materials were used for the R&D project compared to the same period of last year.

The following table presents the Group's research and development expenses broken down into categories for each of the three years ending 31 December 2011, 2012 and 2013.

	31 December			Change	
	2011	2012	2013	2011/2012	2012/2013
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Materials	282	482	849	70.9	76.1
Staff costs	437	453	448	3.7	(1.1)
External advisors	53	73	131	37.7	79.5
Depreciation charges	10	11	6	10.0	(45.5)
	782	1,019	1,434	30.3	40.7

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 employees.

External advisors

External advisors 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

A net foreign exchange gain of EUR 1 thousand was recognised in the Financial Statements for 2010 – 2012 under "*Other gains and losses*" whereas in the Consolidated Financial Statement for 2013 it was recognised under "*finance income*". As a consequence, "*Other gains and losses*" amounting in 2012 to EUR (53) thousand in the Consolidated financial statements for 2010 – 2012 amounted to EUR (54) thousand in the Consolidated Financial Statement for 2013 as comparable figures for 2012.

Financial income

Financial income is income on bank deposits and net foreign exchange gains. Until 2012 they were presented under "*other income*" and "*other gains and losses*". In the Consolidated Financial Statements for 2010 – 2012 the Company recognised interest income on bank deposits in 2012 in the amount of EUR 35 thousand under "*other income*" whereas in the Consolidated Financial Statement for 2013, interest income on bank deposits was recognised under "*finance income*". Similarly, a net foreign exchange gain of EUR 1 thousand was recognised in the Financial Statements for 2012 under "*other gains and losses*" whereas, as 2012 comparable figures, in the Consolidated Financial Statement for 2013 it was recognised under "*finance income*".

Finance costs

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

Income tax expenses

The applicable standard 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% since 1 January, 2012 covering the period until 31 December 2013. The Group intends to apply for renewal of the certificate for the next 3 years (i.e. 31 December 2016) and expects that the tax rate of 15% will be applicable to Fujian Peixin also for this period, although the procedure is still pending. See "*Business of the Group – Quality – Industry standards and awards*". The effective tax rate of the Group was 13.3% in 2011, 16.0% in 2012 and 14.9% in 2013. The difference between statutory tax rate and effective tax rate is impacted by two factors. Firstly, throughout the analysed period, Quanzhou Peixin incurred a tax loss which could not be offset with the profit generated by Fujian Peixin, which increase the effective tax rate. Secondly, the difference in calculating R&D costs for tax and accounting purposes decreases the effective tax rate. The second factor has been applicable since 2013.

Profitability analysis

The table below shows profitability ratios of the Group for 2011-2013.

Profitability ratios in EUR (RMB)	**2011**	**2012**	**2013**
		(unaudited)	
Tax burden[1]	0.87	0.84	0.85
Interest burden[2]	0.98	0.98	0.99
Operating margin[3]	0.29	0.30	0.31
Net margin[4]	0.25	0.24	0.27
Asset Turnover[5]	1.42 (1.52)	1.51 (1.50)	1.40 (1.38)
ROA (Return on Assets)[6]	**0.36 (0.38)**	**0.37 (0.37)**	**0.37 (0.37)**
Leverage[7]	**1.43**	**1.42**	**1.28**
ROE (Return on Equity)[8]	**0.51**	**0.52**	**0.48**

* *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

Three-month periods ended 31 March 2013 and 31 March 2014

In order to present the business, financial condition and results of operations for the three – month period ending 31 March 2014 in relation to the business of the Group, the following table presents the income statement data for the three- month periods ending on 31 March 2014 and 31 March 2013.

	Period ended		Change
	31 March 2013	**31 March 2014**	**2013/2014**
	TEUR	**TEUR (unaudited)**	**%**
Revenue	10,590	12,434	17.4
Cost of sales	(6,796)	(7,757)	14.1
Gross profit	3,794	4,677	23.3
Other income	94	6	(93.6)
Distribution and selling expenses	(213)	(230)	8.0
Administrative expenses	(326)	(407)	24.8
Research and development expenses	(231)	(256)	10.8
Profit from operations	3,118	3,790	21.6
Other gains and losses	3	-	(100)
Finance income	82	51	(37.8)
Finance costs	(61)	(39)	(36.1)
Profit before tax	3,142	3,802	21.0
Income tax expense	(512)	(589)	15.0
Profit for the period	2,630	3,213	22.2
Other comprehensive income			
-currency translation differences	917	(357)	(138.9)
Total comprehensive income for the period	3,547	2,856	(19.5)

Source: Consolidated Financial Statements

Revenues

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

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

During 1Q 2014, revenues from sanitary napkin machines increased by 64.36% compared to 1Q 2013. In 1Q 2014, the Company sold three more units in the sanitary napkin machine segment than in 1Q 2013, however because orders were made by long-standing clients and included more technically advanced machines, such as full-servo machines, the revenue growth in this segment was substantial.

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

Due to the fact that in 1Q 2014 the Company focused on the most prospective segments, i.e. sanitary napkin machine segment and diaper machine segment, revenues from the sale of facial tissue machines and other machines were lower than previous years. The decrease of revenues from the facial tissue machine segment in 1Q 2014 was the result of a drop in the volume of sales. In 1Q 2014, the Company sold more other paper

machines compared to 1Q 2013. However, the decreased revenues in this segment resulted from the fact that production in this segment was shifted more towards smaller machines which have a low per-unit value.

The Group recently expanded its existing production facility by renovating a warehouse and transforming it into a production facility, as a result of finalising the first phase of the investment. Though the Group has already reached its capacity and is currently using overtime to respond to market demand, some orders made in the facial tissue machine segment and the other machines segment have been rescheduled. Optimised order arrangements reduce the production pressure and flexibly meet the customers' needs. The completion of the new production plant will allow the Company to increase future revenues from other segments. Further capacity increases are necessary to maintain the high level of production growth, therefore the Group established a detailed investment plan (see: "*Investments*").

Revenues breakdown by segments

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

	1Q 2013		**1Q 2014**		**Change in revenue**
	Unit	**TEUR**	**Unit**	**TEUR**	**%**
			(unaudited)		
Sanitary napkin machines	11	3,392	14	5,575	64.4
Diaper machines	8	4,397	11	4,731	7.6
Facial tissue machines	138	2,336	112	1,843	(21.1)
Other paper machines	16	465	20	285	(38.7)
Total	**173**	**10,590**	**157**	**12,434**	**17.4**

Source: Consolidated Financial Statements

The breakdown of sales by segment for 1Q 2013, 1Q 2014 is presented in the table below.

	1Q 2013		**1Q 2014**	
	TEUR	**%**	**TEUR**	**%**
		(unaudited)		
Diaper machines	4,397	42.0	4,731	38.0
Sanitary napkins machines	3,392	32.0	5,575	45.0
Facial tissue machines	2,336	22.0	1,843	15.0
Others	465	4.0	285	2.0
Total	**10,590**	**100.0**	**12,434**	**100.0**

Source: Consolidated Financial Statements

Sales geographic breakdown

Over 1Q 2014 the Group's revenue growth was generated on the domestic market following a more visible increase in the demand for advanced technology machines (the low-tech machines create more production waste and are more labour-intensive, which increases production costs) and government's continued support for the industry. In particular, the Group had to meet the requirements from several domestic clients and complete a few deliveries immediately following the Chinese New Year to allow the clients to implement their business development plan in the New Year. Due to the early Chinese New Year 2014, some large-scale machines could not be arranged for manufacture or delivery to overseas clients. In consequence, the delivery of some orders has been postponed until 2Q 2014. This fact is reflected by the 57.38% increase of the work-in-progress position compared to the values for 31 December 2013 and 31 March 2014 which are the volumes of EUR 4,043 thousand and EUR 6,363 thousand respectively (see: "*Inventories*").

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

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

	1Q 2013		1Q 2014		Change in revenue
	Units	**TEUR**	**Units**	**TEUR**	**%**
			(unaudited)		
Revenue:					
Direct sales					
-Mainland China	114	5,858	87	8,076	37.9
-Outside Mainland China	18	923	20	914	(1.0)
Sales to trading companies	41	3,809	50	3,444	(9.6)
Total	**173**	**10,590**	**157**	**12,434**	**17.4**

Source: Consolidated Financial Statements

Geographic sales breakdown for the period 1Q 2013 and 1Q 2014 is presented in the chart below.

	1Q 2013		1Q 2014	
	TEUR	**%**	**TEUR**	**%**
		(unaudited)		
Sales to trading companies	3,809	36.0	3,444	27.7
Foreign direct sales	923	8.7	914	7.4
Domestic direct sales	5,858	55.3	8,076	65.0
Total	**10,590**	**100.0**	**12,434**	**100.0**

Source: Consolidated Financial Statements

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

The revenue generated from direct sales outside mainland China remained flat, although two more machines were sold outside mainland China in 1Q 2014 than in 1Q 2013. Total overseas sales in 1Q 2014 decreased, however the Group would like to maintain its strong development pace on the overseas market, and more effort will be put into direct international sales, especially of highly profitable products, such as full-servo and semi-servo machines in order to increase the gross margin. The Group also offers its equipment through sales platforms and aims to capitalise on opportunities provided by the distributors.

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

Cost of Goods Sold

The following table presents the Group's sales costs.

	1Q 2013	1Q 2014	Change
	T EUR	T EUR	%
		(unaudited)	
Changes in inventories of finished			
goods and works in progress	(2,360)	(2,513)	6.5
Materials consumed in production			
-Glue machines and motors	2,802	2,893	3.3
-Steel	1,343	2,000	48.9
-Electric controllers	1,389	1,502	8.1
-Knife roller\cylinder	307	353	15.0
-Other components	1,311	1,642	25.3
-Auxiliary materials	220	279	26.8
Materials consumed in production	7,372	8,669	17.6
Labour	784	849	8.3
Depreciation and amortization	289	292	1.0
Outsourced manufacturing costs	336	359	6.9
Taxes and surcharges *	31	10	(67.7)
Water and electricity	121	125	3.3
Others	36	9	(75.0)
Foreign currency translation difference	187	(43)	(123.0)
Total	**6,796**	**7,757**	**14.1**

*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 Financial Statements

The cost of sales (the cost of production reconciled by changes in inventories of finished goods and works in progress and foreign currency translation differences) amounted to EUR 6,796 thousand in 1Q 2013 and increased to EUR 7,757 in 1Q 2014. Cost of production increased by EUR 1,353 thousand, or 15%, in 1Q 2014 compared to 1Q 2013, which increased proportionately to the sales costs. In 1Q 2014, the cost of sales increased by 14.14% compared to the same period in 2013. The higher growth of production costs for this period was mainly due to the larger amount of material consumed in production, mainly steel, knife roller\cylinder and auxiliary materials. Some of the parts used in assembling the Group's products are manufactured in-house, from externally purchased steel in a process involving gas cutting, welding, milling, polishing, and drilling. A significant amount of machines with a high ratio of steel in the cost structure are currently part of the *Works in progress*. This fact influenced the relatively high growth of steel in the overall cost structure in Q1 2014.

Gross profit

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

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

	1Q 2013	1Q 2014	Change
	TEUR	TEUR	%
		(unaudited)	
Segment gross profit			
Sanitary napkin machines	1,201	2,172	80.9
Diaper machines	1,638	1,753	7.0
Facial tissue machines	815	668	(18.0)
Other paper machines	140	84	(40.0)
Total	3,8	4,7	23.3

Source: Consolidated Financial Statements

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

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

	1Q 2013	1Q 2014	Change
	p.p.	p.p.	p.p.
		(unaudited)	
Segment gross margin			
Sanitary napkin machines	35.41	38.96	3.6
Diaper machines	37.25	37.05	(0.2)
Facial tissue machines	34.89	36.25	1.4
Other paper machines	30.11	29.47	(0.6)
Total gross margin	35.83	37.61	1.8

Source: The Company

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

Other income

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

	1Q 2013	1Q 2014	Change
	TEUR	TEUR	%
		(unaudited)	
Rental income	9	1	(88.9)
Sales of spare parts	85	5	(94.1)
Total	94	6	(93.6)

Source: Consolidated Financial Statements

Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	1Q 2013	1Q 2014	Change
	TEUR	TEUR	%
		(unaudited)	
Staff costs	108	119	10.2
Marketing and advertising costs	40	33	(17.5)
Post-sales service costs	26	26	-
Traveling costs	11	11	-
Depreciation	2	1	(50.0)
Agency costs	-	21	100.0
Others	26	19	(26.9)
Total	213	230	8.0

Source: Consolidated Financial Statements

Staff costs

Staff costs constituted 50.7% of the Group's distribution and selling expenses for 1Q 2013 and 51.7% for the 1Q 2014. Staff costs increased by EUR 11 thousand, or 10.2%, from EUR 108 thousand in 1Q 2013 to EUR 119 thousand in 1Q 2014, mainly as a result of the increased sales commission-based remuneration of sales staff. Marketing and advertising costs decreased by EUR 7 thousand, or 17.5%, from EUR 40 thousand in Q1 2013 to EUR 33 thousand in 1Q 2014, mainly due to the better marketing package, which saved on marketing costs. The package mentioned above includes exhibition registration fees as well as booth, advertising, flight and hotel costs for participants.

Since 1Q 2014, the Group's service staff is present in Ankara Turkey, which increased agency costs.

Administrative expenses

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

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

	1Q 2013	1Q 2014	Change
	TEUR	TEUR	%
		(unaudited)	
Staff costs	91	93	2.2
Depreciation and amortization charges	91	89	(2.2)
Entertainment and office expenses	35	34	(2.9)
Miscellaneous taxes	10	6	(40.0)
Professional service fee	-	114	100.0
Others	99	71	(28.3)
Total	326	407	24.9

Source: Consolidated Financial Statements

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

Research and Development Expenses

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

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

	1Q 2013	1Q 2014	Change
	TEUR	TEUR	%
		(unaudited)	
Materials	125	133	6.4
Staff costs	103	116	12.6
Depreciation charges	-	5	100.0
Outsourced R&D	3	2	(33.3)
Total	231	256	10.8

Source: Consolidated Financial Statements

Statement of financial position

As at 31 December 2011, 31 December 2012 and 31 December 2013

In order 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 balance sheet data of the Group as at 31 December 2011, 2012 and 2013 on a combined basis, which was derived from the audited Consolidated Financial Statements.

	31 December			Change	
	2011	2012	2013	2011/2012	2012/2013
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Non-current assets					
Property, plant and equipment	9,533	9,574	13,012	0.4	35.9
Prepaid lease payments	1,006	965	5,683	(4.1)	488.9
Investment properties	720	659	604	(8.5)	(8.3)
Other deferred assets	1,022	810	610	(20.7)	(24.7)
	12,281	12,008	19,909	(2.2)	65.8
Current assets					
Inventories	7,044	6,734	7,953	(4.4)	18.1
Trade and other receivables	3,161	4,429	10,204	40.1	130.4
Prepaid lease payments	23	22	22	(4.3)	-
Related parties receivables	480	-	-	-100	-
Bank balances and cash	4,014	11,435	11,983	184.9	4.8
	14,722	22,620	30,162	53.6	33.3
Current liabilities					
Trade and other payables	2,594	2,210	3,159	(14.8)	42.9
Related parties payables	-	-	231	-	100.0
Advance from customers	1,096	3,582	3,653	226.8	2.0
Income tax payable	517	672	792	30.0	17.9
Bank borrowings	3,498	4,034	-	15.3	(100.0)

	31 December			Change	
	2011	2012	2013	2011/2012	2012/2013
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Net current assets	7,017	12,122	22,327	72.8	84.2
Total assets less current liabilities	19,298	24,130	42,236	25.0	75.0
Non-current liability	-	-	-		
Net asset	19,298	24,130	42,236	25.0	75.0
Capital and reserves					
Paid-in capital	41	41	13,000	0.0	31607.3
Reserves	19,257	24,089	29,236	25.1	21.4
Total equity	19,298	24,130	42,236	25.0	75.0

Source: Consolidated Financial Statements

Non-current assets

Property, plant and equipment

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

Property, plant and equipment other than constructions in-progress are depreciated on a straight-line basis with 5.0% residual value.

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

Asset group	Depreciation rate
	(unaudited)
Buildings	5%
Machinery & equipment	10%
Electronic & other facilities	20%
Motor vehicles	10%

Source: the Company

Property plant and equipment increased from EUR 9,533 thousand in 2011 by 41 or 0.4% to EUR 9,574 thousand in 2012. The RMB value of the net assets decreased in that period mainly as a result of a 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. Property plant and equipment increased by EUR 3,438 thousand, or by 35.9%, from EUR 9,574 thousand as at 31 December 2012 to EUR 13,012 thousand as of the same period in 2013. The increase is related to the purchase of new machinery assumed in the investment plan.

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). In 2013, the Company made a down payment for the land use right of RMB 30,000,000 as well as paid RMB 10,000,000 for levelling the land in subject. The land use right purchase is part of the 2nd phase of the investment plan assumed by the Group and should be accomplished by the end of 1Q2014.

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 decreased from EUR 1,022 thousand in 2011 by EUR 212 thousand or 20.7% to EUR 810 thousand in 2012 and decreased by EUR 200 thousand or 24.7% to EUR 610 thousand in 2013. The decrease was mainly the result of depreciation.

Current assets

Inventories

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

The table below presents the breakdown of inventories of the Group as at 31 December 2011, 2012 and 2013.

	Year ended (audited)		
	31/12/2011	31/12/2012	31/12/2013
	TEUR	TEUR (audited)	TEUR
Raw materials and consumables	2,533	3,171	3,269
Work in-progress	3,527	1,028	4,043
Finished goods	984	2,535	641
	7,044	6,734	7,953

Source: Consolidated Financial Statements

The table below presents the raw material and consumables composition of the Group as at 31 December 2011 2012 and 2013.

	Year ended (unaudited)		
	31/12/2011	31/12/2012	31/12/2013
	TEUR	TEUR	TEUR
Glue machines and motors	331.27	300.69	295.70
Steel	1,135.96	1,559.6	1,216.35
Electronic controllers	379.88	341.94	607.36
Knife roller/cylinder	44.00	104.06	491.69
Other components	552.51	693.69	568.22
Auxiliary materials	90.38	170.72	89.46

Source: the Company

The level of inventories depends on the types (product mix) and volume of orders received by the Group. The level of a particular segment: raw materials, works in-progress and finished goods, depends on the timing of the orders placed by the clients. In 2011, the works in-progress 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 proceeding 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 2013, the Group received an increased number of orders from clients in the period immediately proceeding 31 December 2013 and more machines were under construction, consequently works in-progress increased. On the other hand, the level of finished goods decreased as finished machines were delivered to the clients.

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 2011, 2012 and 2013.

Days of Inventory Outstanding (DIO)*	2011	2012	2013
		(unaudited)	
in EUR	120	99	85
in RMB	111	99	87

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 98.4% in 2011, 86.7% in 2012 and 83.8% in 2013. 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. In 2013, Trade and other receivables increased by EUR 5,775 thousand, from EUR 4,429 thousand as of 31 December 2012 to EUR 10,204 thousand as of 31 December 2013. The increase was mainly the result of a growth of sales throughout 2013. The Group also extended payment terms for selected customers, in particular to those with whom the Group has had a long commercial relationship.

As of December 31, 2013 there were no trade receivables that were past due or impaired.

The table below presents days of sales outstanding of the Group as at 31 December 2011, 2012 and 2013.

Days of Sales Outstanding (DSO)*	2011	2012	2013
		(unaudited)	
in EUR	23	27	38
in RMB	22	27	39

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 86.7% as at 31 December 2011, 97.2% as at 31 December 2012 and 100.0% as at 31 December 2013. 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 2011 and 2013. The table below presents the Group's receivables which are past due but not impaired as at 31 December 2011, 2012 and 2013.

	Year ended		
	31/12/2011	31/12/2012	31/12/2013
	TEUR	TEUR (audited)	TEUR
Past due for less than 3 months	179	51	-
Past due for over 3 months but less than 9 months	242	72	-
	421	123	-

Source: Consolidated Financial Statements

Prepaid lease payments

Prepaid lease payments consist of a 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 2011, which is a related entity of Mr Qiulin 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 and 2013.

Bank balances and cash

Bank balances and cash increased from EUR 4,014 thousand in 2011 by EUR 7,421 thousand or 184.9% to EUR 11,435 thousand in 2012. The increase was mainly the result of cash generated from the Group's operations. In 2013, Bank balances and cash increased by EUR 548 thousand or 4.8%, to EUR 11,983 thousand as of 31 December 2013. In the period immediately preceding 31 December 2013 the Group repaid all its debt whereas as at 31 December 2012 short-term bank borrowings amounted to EUR 4,034 thousand.

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 has grown

accordingly. 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 2011, 2012 and 2013.

Cash Conversion Cycle (CCC)*	2011	2012	2013
		(unaudited)	
in EUR	122	105	104
in RMB	114	106	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. In 2013, the cash-conversion cycle remained stable.

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. Trade and other payables decreased from EUR 2,594 thousand in 2011 by EUR 384 thousand 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 and increased by EUR 949 thousand or 42.9%, from EUR 2,210 thousand as of 31 December 2012 to EUR 3,159 thousand as of 31 December 2013. The increase was mainly the result of significant purchases of raw materials and components necessary for the completion of the orders.

The Group has maintained 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 2011, 2012 and 2013.

Days of Payable Outstanding (DPO)*	2011	2012	2013
		(unaudited)	
in EUR	21	21	20
in RMB	19	21	20

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

Indebtedness

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

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

Advance from customers

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 increased from EUR 1,096 thousand by EUR 2,486 thousand or 226.8% to EUR 3,582 thousand in 2012 and increased by EUR 71 thousand or by 2.0% to EUR 3,653 thousand in 2013. The fluctuations were mainly a result of the timing of orders.

Income tax payable

Income tax payable increased from EUR 517 thousand in 2011 by EUR 155 thousand or 30.0% to EUR 672 thousand in 2012 and by EUR 120 thousand or by 17.9% to EUR 792 thousand in 2013. 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 3,498 thousand in 2011 by EUR 536 thousand or 15.3% to EUR 4,034 thousand in 2012. The increase was mainly the result of an increase of the Group's operations. Bank borrowings decreased to zero in 2013 as a result of repayment.

Non-current liability

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

Capital and reserves

Capital and reserves increased from EUR 19,298 thousand in 2011 by EUR 4,832 thousand or 25.0% to EUR 24,130 thousand in 2012. The increase was mainly the result of the increase in retained earnings of EUR 5,102 thousand or 43.0% in 2012 in relation to 2011. Capital and reserves increased by EUR 18,106 thousand or 75.0%, from EUR 24,130 thousand as of 31 December 2012 to EUR 42,236 thousand as of 31 December 2013.

The table below presents Company's equity and reserves as at 1 January 2012, 31 December 2012 and 31 December 2013.

	Attributable to Owners of the Company						
	(**audited**)						
TEUR	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Results for the year	Total
Balance at 1 January 2012	41	3,302	2,449	1,630	3,681	8,195	19,298
Balance at 31 December 2012*	41	3,302	2,179	1,630	5,609	11,369	24,130
Balance at 31 December 2013	13,000	22,299	1,488	2,637	(12,960)	15,772	42,236

* Due to the fact that PEIXIN International Group N.V. was incorporated on 2 July 2013, there is no historical financial information relating directly to the Company for the year ended 31 December 2012. However, on 14th August 2013 all shares in Peixin International BVI were contributed to PEIXIN International Group N.V. in exchange for newly-issued shares in the share capital of the Company as part of the Group's restructuring in connection with the public offering. The Company is the sole shareholder of Peixin International BVI. In connection with the Company's acquisition of shares in Peixin International BVI, comparable balance sheet data of the Company for the year ended 31 December 2012 have been presented with respect to historical statements of Peixin International BVI. As of 31 December 2012, the share capital of Peixin International BVI amounted to EUR 41 thousand. The Group's capital structure changed significantly due to the establishment of the Company – the Group's holding entity as well as the IPO in 4Q 2013.

Source: Consolidated Financial Statements.

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

In October 2013, the Company executed the IPO in which an additional 1 million shares were issued, raising net EUR 3,587 of new capital, which afterwards increased the share capital and share premium.

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

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 2,449 thousand as at 31 December 2011, EUR 2,179 thousand as at 31 December 2012 and EUR 1,488 thousand as at 31 December 2013.

As at 31 December 2013 and 31 March 2014

The following table presents the balance sheet data of the Group as at 31 December 2013 and 31 March 2014 on a combined basis, which was derived from the Consolidated Interim Financial Statement.

	As at		Change
	31 December 2013	**31 March 2014**	**2013/2014**
	TEUR	**TEUR (unaudited)**	**(%)**
Non-current assets			
Property, plant and equipment	13,012	15,064	15.8
Prepaid lease payments	5,683	10,968	93.0
Investment properties	604	13	(97.8)
Other deferred assets	610	560	(8.2)
	19,909	26,605	33.6
Current assets			
Inventories	7,953	10,767	35.4
Trade and other receivables	10,204	10,662	4.5
Prepaid lease payments	22	22	0.0
Bank balances and cash	11,983	10,349	(13.6)
	30,162	31,800	5.4

	As at		Change
	31 December 2013	31 March 2014	2013/2014
	TEUR	TEUR (unaudited)	(%)
Current liabilities			
Trade and other payables	3,159	2,662	(15.7)
Related parties payables	231	230	(0.4)
Advance from customers	3,653	5,758	57.6
Income tax payable	792	698	(11.9)
Bank borrowings	-	3,965	100
	7,835	13,313	69.9
Net current assets	22,327	18,487	(17.2)
Total assets less current liabilities	42,236	45,092	6.8
Non-current liability	-	-	
Net asset	42,236	45,092	6.8
Capital and reserves			
Paid-in capital	13,000	13,000	0.0
Reserves	29,236	32,092	9.8
Total equity	42,236	45,092	6.8

Source: Consolidated Financial Statements

Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 2,052 thousand, or 15.8%, from EUR 13,012 thousand as at 31 December 2013 to EUR 15,064 thousand as at 31 March 2014. This increase resulted mainly from the execution of the investment plan and the continuation of construction and renovation works in the Company's facilities. Moreover, as a result of the delivery, installation of production lines and putting them into operation, the structure of the PPE group of assets changed due to the reclassification of EUR 3,351 thousand from prepayments for machinery to machinery and equipment.

Current assets

Inventories

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

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

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

Source: Consolidated Financial Statements

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

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

	31/12/2013	**31/03/2014**	**Change**
	TEUR	**TEUR**	**%**
		(unaudited)	
Glue machines and motors	607	611	0.66
Steel	1,216	1,243	2.22
Electronic controllers	296	365	23.31
Knife roller/cylinder	492	498	1.22
Other components	568	763	34.33
Auxiliary materials	89	89	-

Source: Company

Trade and other receivables

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

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

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

Bank balances and cash

Bank balances and cash decreased by EUR 1,634 thousand, or 13.6%, from EUR 11,983 thousand as at 31 December 2013 to EUR 10,349 thousand as at 31 March 2014.

Current liabilities

Trade and other payables

Trade and other payables consist of amounts payable to suppliers for the purchase of raw materials and products. Trade payables decreased by EUR 396 thousand, or 17.6%, from EUR 2,248 thousand as at 31 December 2013 to EUR 1,852 thousand as at 31 March 2014. The main reasons for the decrease were settlements with suppliers prior to the Chinese New Year and significant levels of inventory reserved (lower purchasing needs).

Indebtedness

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

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

Source: Consolidated Financial Statements

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

The borrowings are fixed-rate and denominated in RMB.

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

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

	As at 31 December 2013 TEUR	As at 31 March 2014 TEUR
	(unaudited)	
Land use right	-	943
Buildings	-	4,233
Total	-	5,176

Source: Consolidated Financial Statements

A personal guarantee was provided by the Company's CEO, Mr Qiulin Xie, for EUR 3,695 thousand as at 31 March 2014.

Advances from customers

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

Non-current liability

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

Capital and reserves

Capital and reserves increased by EUR 2,856 thousand, or 6.8%, from EUR 42,236 thousand as at 31 December 2013 to EUR 45,092 thousand as at 31 March 2014. 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, 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 and 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 2011	31 December 2012	31 December 2013
		(unaudited)	
Current Ratio (CR)*	1.91	2.15	3.85
Quick Ratio (QR)**	0.99	1.46	2.77
Cash Ratio ***	0.52	1.09	1.53

** 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 2011, 31 December 2012 and 31 December 2013

	31 December			Change	
	2011	2012	2013	2011/2012	2012/2013
	TEUR	TEUR	TEUR	%	%
		(audited)		(unaudited)	
Operating activities					
Profit before tax	9,456	13,527	18,527	43.1	37.0
Adjustments for:					
Finance cost	169	247	215	46.2	(13.0)
Interest income	(31)	(35)	(117)	12.9	234.3
Depreciation of property, plant and equipment	869	961	1,323	10.6	37.7
Amortisation of prepaid lease payments	21	23	22	9.5	(4.4)
Amortisation of investment properties	44	48	48	9.1	-
Amortisation of other deferred assets	125	196	195	56.8	(0.5)

	31 December			Change	
	2011	2012	2013	2011/2012	2012/2013
	TEUR	TEUR (audited)	TEUR	% (unaudited)	%
Losses on disposal of property, plant and equipment	10	-	9	(100.0)	100.0
Operating cash flows before movements in working capital	10,663	14,967	20,222	40.4	35.1
Decrease / (Increase) decrease in inventories	(2,846)	310	(1,219)	(110.9)	(493.2)
(Increase) in trade and other receivables	(1,994)	(1,268)	(5,775)	(36.4)	355.4
(Increase) decrease in related parties receivables	(332)	480	-	(244.6)	(100.0)
Decrease in pledged bank deposits	143	-	-	(100.0)	-
(Increase) in other deferred assets	(272)	-	-	100.0	-
(Decrease)/ Increase in trade and other payables	1,060	(384)	949	(136.2)	(347.1)
Increase in related parties payables	-	-	231	-	100.0
Increase (decrease) in advance from customers	(328)	2,486	71	857.9	(97.1)
Cash generated from operations	6,094	16,591	14,479	172.3	(12.7)
Income taxes paid	(951)	(1,991)	(2,616)	109.4	31.4
NET CASH FROM OPERATING ACTIVITIES	5,143	14,600	11,863	183.9	(18.7)
Investing activities					
Interest received	31	35	117	12.9	234.3
Purchase of property, plant and equipment	(707)	(1,184)	(4,963)	67.5	319.2
Purchase of land use right	-	-	(4,855)	-	100.00
Proceeds on disposal of property, plant and equipment	54	-	-		
NET CASH USED IN INVESTING ACTIVITIES	(622)	(1,149)	(9,701)	84.7	744.3
Financing activities					
Interest paid	(169)	(247)	(215)	46.2	(13.0)
Dividends paid	(3,207)	(6,267)	-	95.4	100.0
New bank loans raised	3,166	4,094	-	29.3	(100.0)
Proceeds from issue of share capital	-	-	3,580	-	100.0
Payments of IPO issuing expenses	-	-	(607)	-	(100.0)
Repayment of borrowings	(2,988)	(3,484)	(4,072)	16.6	16.9
NET CASH USED IN FINANCING ACTIVITIES	(3,198)	(5,904)	(1,314)	84.6	(77.7)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	1,323	7,547	848	470.4	(88.8)
Add: Exchange difference	816	(126)	(300)	(115.4)	138.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,875	4,014	11,435	114.1	184.9
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	4,014	11,435	11,983	184.9	4.8

Source: Consolidated Financial Statements

Net cash from operating activities

Net cash from operating activities increased from EUR 5,143 thousand in 2011 by EUR 9,457 thousand 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 from operating activities decreased from EUR 14,600 thousand in 2012 by EUR 2,737 thousand or 18.75% to EUR 11,863 thousand in 2013. Due to more favourable payment terms granted to customers which influenced the Company's working capital.

Net cash used in investing activities

Net cash used in investing activities decreased from EUR -622 thousand in 2011 by EUR 527 thousand or -84.7% to EUR –1,149 thousand in 2012 and decreased by EUR 8,552 thousand or 744.3% to EUR -9,701 thousand in 2013. The fluctuation in 2012 was mainly the result of purchases of property, plant and equipment in 2011. The decrease in 2013 was caused by the investments mainly to purchase property, plant and equipment as well as land use right. The Company investments are in line with the intended investment plan.

Net cash used in financing activities

Net cash used in financing activities decreased from EUR -3,198 thousand in 2011 by EUR 2,706 or 84.6% to EUR -5,904 thousand in 2012 and increased by EUR 4,590 thousand or 77.7% to EUR –1,314 thousand in 2013. The decrease in 2012 was mainly the result of dividend payments. The Group's cash from financing activities was influenced in 2013 mainly by inflows from IPO and debt repayment.

Three-month periods ended 31 March 2013 and 31 March 2014

	Three months ended		**Change**
	31 March 2013	**31 March 2014**	**2013/2014**
	TEUR	**TEUR (unaudited)**	**%**
Operating activities			
Profit before tax	3,142	3,802	21
Adjustments for:			
Finance cost	61	39	(36.1)
Interest income	(77)	(39)	(49.4)
Depreciation of property, plant and equipment	331	468	41.4
Amortisation of prepaid lease payments	6	6	-
Amortisation of investment properties	12	1	(91.7)
Amortisation of other deferred assets	48	48	-
Operating cash flows before movements in working capital	3,523	4,325	22.8
(Increase) decrease in inventories	(4,141)	(2,814)	(32.0)
(Increase) decrease in trade and other receivables	(802)	(458)	(42.9)
Increase (decrease) in trade and other payables	(20)	(497)	2385.0
Increase (decrease) in related payables	-	(1)	(100)
Increase (decrease) in advance from customers	889	2,105	136.8
Cash generated from/ (used in) operations	(551)	2,660	(582.8)
Income taxes paid	(606)	(840)	38.6
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	(1,157)	1,820	(257.3)

	Three months ended		Change
	31 March 2013	31 March 2014	2013/2014
	TEUR	TEUR (unaudited)	%
Investing activities			
Interest received	77	39	(49.4)
Purchase of property, plant and equipment	-	(1,865)	(100)
Purchase of land use right	-	(5,359)	(100)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	77	(7,185)	(9431.2)
Financing activities			
Interest paid	(61)	(39)	(36.1)
New bank loans raised	-	3,965	100
Payment of IPO issuing expenses	-	(110)	(100)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(61)	3,816	(6355.7)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	(1,141)	(1,550)	35.8
Less: Exchange difference	675	(85)	(112.6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,435	11,983	4.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by cash and bank balances	10,969	10,349	(5.7)

Source: Consolidated Financial Statements

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

Future commitments

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

Recent developments

The Group concluded several loan agreements at the beginning 2014 (see "*Business of the Group – Material agreements*"). Apart from the mentioned agreements 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 Statements 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 Group's mid-term target is to continue the double-digit pace of revenue growth, while maintaining the level of margins. The Company believes that the factors affecting operating and financial results (see "*Key factors affecting operating and financial results*") will also affect the Group's operations in 2014.

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

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

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

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

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 the periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards as adopted by the European Union. Amounts are rounded to the nearest thousand, unless otherwise stated. The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Foreign currencies

Functional and presentation currency

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

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

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

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

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

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

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

3. Share capital, 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 at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

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

Segment reporting

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

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

Revenue recognition

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

Revenue from the sale of goods is recognised 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 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 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.

Costs that are directly attributable to the development phase of new products and designs are also expensed if they do not yet meet the criteria to be 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 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 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 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 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 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 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 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 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 derecognized.

Prepaid investments

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

Leased assets

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

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

Inventories

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

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 2013 the Chinese market accounted for around 63% 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, Passport – Tissue and Hygiene in China by Euromonitor International (Edition May 2014), 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 was as at 2012 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 2013 compared to other major world economies:

	Annual GDP growth (real, YoY %)							
Country	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
China	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.7
USA	2.7	1.8	-0.3	-2.8	2.5	1.8	2.8	1.9
India	9.3	9.8	3.9	8.5	10.3	6.6	4.7	4.4
Brazil	4.0	6.1	5.2	-0.3	7.5	2.7	1.0	2.3
Euro Area	3.3	3.0	0.4	-4.4	2.0	1.6	-0.7	-0.5
Poland	6.2	6.8	5.1	1.6	3.9	4.5	1.9	1.6

Source: International Monetary Fund

	GDP Nominal (USD bln)							
Country	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
China	2,712.92	3,494.24	4,519.95	4,990.53	5,930.39	7,321.99	8,229.38	9,181.38*
Germany	2,905.44	3,328.59	3,640.73	3,306.78	3,310.60	3,631.43	3,427.85	3,636.96
Japan	4,356.75	4,356.35	4,849.18	5,035.14	5,495.39	5,905.63	5,938.77	4,901.53
USA	13,857.90	14,480.35	14,720.25	14,417.95	14,958.30	15,533.825	16,244.58	16,799.7

*Source: International Monetary Fund (*IMF estimates for 2013)*

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

Item	**1985**	**1990**	**1995**	**2000**	**2005**	**2010**	**2011**	**2012**	**2013***
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	8,221.02	9,181.38
Volume of exports of goods (per cent change)	6.50	(3.96)	12.30	22.80	24.50	28.35	9.42	5.69	6.5

Source: International Monetary Fund (IMF estimates for 2013)*

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, data for 2013 not available yet):

		By Sex		By residence	
Year	**Total population (year-end)**	**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	69395	66009	71182	64222

Source: NBSC

The PRC's 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 2013:

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Disposable income per capita urban households (RMB**)**	11759	13786	15781	17175	19109	21810	24565	26955

Source: 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 2012:

	Region	Population (million)	GRP (RMB bln)	GRP per Capita (RMB)	Fujian Peixin Distribution
1.	Tianjin	12	1289	109 354	Yes
2.	Beijing	17	1788	103 553	Yes
3.	Shanghai	20	2018	101 610	Yes
4.	Jiangsu	66	5406	81 804	Yes
5.	Inner Mongolia	21	1588	76,441	No
6.	Zhejiang	46	3467	75 854	Yes
7.	Liaoning	37	2485	67 847	Yes
8.	Guangdong	88	5707	64 560	Yes
9.	Fujian	31	1970	62 999	Yes
10	Shandong	81	5001	61 890	Yes
11.	Jilin	23	1194	52 025	Yes
12.	Chongqing	25	1141	46 431	Yes
13.	Hubei	48	2225	46 145	Yes
14.	Shaanxi	31	1445	46 156	No
15.	Hebei	61	2658	43 705	Yes
16.	Ningxia	5	234	43 357	Yes
17.	Heilongjiang	32	1369	42 800	No
18.	Xinjiang	19	751	40 286	Yes
19.	Shanxi	30	1211	40 205	No
20.	Hunan	55	2215	39 994	Yes
21.	Qinghai	5	189	39 597	No
22.	Hainan	7	286	38 604	No
23.	Henan	78	2960	37 714	Yes
24.	Sichuan	67	2387	35 427	Yes
25.	Jiangxi	38	1295	34 457	Yes
26.	Anhui	50	1721	34 450	No
27.	Guangxi	39	1304	33 367	No
28.	Tibet	3	70	27 309	No
29.	Yunnan	39	1031	26 520	No
30.	Gansu	22	565	26 271	No
31.	Guizhou	29	685	23 571	Yes

Source: NBSC, GRP per capita was calculated by dividing the GRP in a given region by the total population in that region

Sanitary products market

Global hygiene product market

The global growth in the hygiene market is driven mainly on the back of factors including increased population, the growth in an ageing population, changing habits 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.

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.

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%. (source: Koncept Analytics, Global Diaper Market Report: 2012 Edition).

Chinese hygiene product market

According to Euromonitor International, a double-digit current value sales growth was witnessed by retail tissue and hygiene in 2013, mainly driven by climbing household income levels and increasing awareness of health and hygiene amongst local consumers. The frequent usage of tissue and hygiene products in developed areas and growing product acceptance in lower-tier cities and rural areas were major drivers of demand over the review period. Also, compared with tissue, hygiene demonstrated more dynamic retail value sales growth in 2013. In addition to hygiene products continuing to be more expensive than tissue products, rising demand for such hygiene products as nappies/diapers/pants and incontinence products, driven by China's one-child policy and the ongoing aging of the population, also contributed to the buoyant retail value sales growth seen by hygiene in 2013.

Euromonitor International predicts that tissue and hygiene in China is expected to see healthy retail value sales growth over the forecast period (2013 to 2018). This will be mostly driven by strong and growing demand for tissue products, as well as increasing consumer demand for nappies/diapers/pants and incontinence products. China's one-child policy will ensure that parents remain willing to pay more for quality products for their babies. In addition, the loosening of the one-child policy since 2014 is likely to be positively impact demand for products in this niche over the forecast period.

The table below indicates retail sales of tissue and hygiene by category from 2008 to 2013:

RMB million

	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Cotton Wool/Buds/Pads	140.0	148.5	163.7	(179.7)	(196.8)	217.1
Incontinence	432.4	479.1	574.2	692.0	842.4	1021.5
Nappies/Diapers/Pants.....	13,552.5	16,811.4	20,423.7	25,685.7	30.061.1	35.022.8
Sanitary Protection	36,279.3	39,600.5	44,665.0	50,193.4	55,811.4	61,419.7
Wipes.....	1,142.6	1,331.2	1,598.7	1,925.7	2,248.9	2,573.1
Retail Hygiene	**51,546.7**	**58,370.6**	**67,425.3**	**78,676.2**	**89,158.7**	**100,254.2**
Kitchen Towels.....	32.0	44.1	58.7	76.4	97.7	119.8
Paper Tableware	11.7	12.2	13.1	14.3	15.3	16.3
Tissues	10,152.5	11,230.4	13,675.1	16,390.7	19,045.2	21,159.0
Toilet Paper	40,097.0	43,585.9	51,129.6	59,221.7	64,381.0	69,037.2
Retail Tissue	**50,293.2**	**54,872.6**	**64,876.4**	**75,703.1**	**83,539.3**	**90,332.3**
Retail Tissue and Hygiene.....	101,839.8	113,243.2	132,301.8	154,379.4	172,698.0	190,586.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

The table below indicates current value growth in retail sales of tissue and hygiene by category from 2008 to 2013:

% current value growth

	2012/13	2008-13 CAGR	2008/13 Total
Cotton Wool/Buds/Pads	10.3	9.2	55.1
Incontinence	21.5	18.8	136.3
Nappies/Diapers/Pants	16.5	20.9	158.4
Sanitary Protection	10.0	11.1	69.3
Wipes	14.4	17.6	125.2
Retail Hygiene	12.4	14.2	94.5
Kitchen Towels	22.7	30.2	274.8
Paper Tableware	6.1	6.9	39.6
Tissues	11.1	15.8	108.4
Toilet Paper	7.2	11.5	72.2
Retail Tissue	8.1	12.4	79.6
Retail Tissue and Hygiene	10.4	13.4	87.1

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Euromonitor International explains that retail value sales growth in retail tissue slowed during the later years of the review period, dropping from 14% in 2010 to 5% in 2013 in terms of constant value. This slowdown was mainly caused by the large, existing consumer base, market saturation in urban areas and on-going production capacity expansion by manufacturers. Euromonitor International points to the growing trend of product upgrading where, amid increasingly fierce competition over the review period, industry players made efforts to upgrade existing products or launch new, higher quality products with more effective product features. This was most obvious in the highly competitive tissue category in China, given the relatively low entry barriers, increasing maturity, and overcapacity problems. Euromonitor International predicts that competition is expected to become increasingly ferocious over the forecast period given continual new entrants to hygiene, as well as overcapacity in retail tissue. Manufacturers are slated to upgrade their products further, as they strive to keep ahead of the competition. Meanwhile, new products made from premium materials can be expected from industry players.

The table below presents forecast retail sales of tissue and hygiene products by category from 2013 – 2018. Data used in the table below for 2013 is in current terms, while data for 2014-2018 is in constant terms.

RMB million

	2013	2014	2015	2016	2017	2018
Cotton Wool/Buds/Pads	217.1	233.7	251.1	269.4	288.7	308.7
Incontinence	1,021.5	1,226.3	1,476.3	1,782.6	2,158.6	2,621.5
Nappies/Diapers/Pants	35,022.8	39,619.7	44,647.2	50,110.5	55,961.4	62,095.3
Sanitary Protection	61,419.7	65,563.6	69,728.0	73,872.8	77,955.2	81,930.5
Wipes	2,573.1	2,845.8	3,119.8	3,371.9	3,592.6	3,773.1
Retail Hygiene	100,254.2	109,489.0	119,222.4	129,407.3	139,956.5	150,728.9
Kitchen Towels	119.8	142.1	166.4	196.4	233.7	280.3
Paper Tableware	16.3	16.8	17.3	17.8	18.2	18.7
Tissues	21,159.0	23,461.3	25,950.4	28,980.2	32,404.0	36,220.2
Toilet Paper	69,037.2	73,698.7	78,321.2	84,032.2	89,755.6	95,437.1
Retail Tissue	90,332.3	97,318.9	104,455.3	113,226.6	122,411.6	131,956.2
Retail Tissue and Hygiene	190,586.5	206,808.0	223,677.7	242,633.9	262,368.1	282,685.2

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

The table below presents forecast retail sales of tissue and hygiene by category in terms of value growth from 2013 – 2018:

% constant value growth

	2013-18 CAGR	2013/18 TOTAL
Cotton Wool/Buds/Pads	7.3	42.1
Incontinence	20.7	156.6
Nappies/Diapers/Pants	12.1	77.3
Sanitary Protection	5.9	33.4
Wipes	8.0	46.6
Retail Hygiene	8.5	50.3
Kitchen Towels	18.5	133.9
Paper Tableware	2.8	14.6
Tissues	11.4	71.2
Toilet Paper	6.7	38.2
Retail Tissue	7.9	46.1
Retail Tissue and Hygiene	8.2	48.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Baby diapers

According to Euromonitor International nappies/diapers/pants in China see current value sales growth of 16.5% to reach RMB35 billion in 2013. Euromonitor International divides this market mainly into two sub-segments: disposable pants and nappies/diapers. Disposable pants include products designed for toilet training babies and small children. Euromonitor International notes that 2013 saw new entrants due to strong growth potential in nappies/diapers/pants in China,. The table below gives retail sales of nappies/diapers/pants by category from 2008 to 2013:

RMB million

	2008	2009	2010	2011	2012	2013
Disposable Pants	287.5	398.9	541.1	738.6	990.5	1,516.3
Nappies/Diapers	13,265.0	16,412.5	19,882.6	24,947.1	29,070.6	33,506.5
- Junior Nappies/Diapers	2,203.5	2,761.9	3,404.1	4,323.8	5,085.0	5,923.6
- New Born Nappies/Diapers	3,913.8	4,780.2	5,734.6	7,139.7	8,212.1	9,365.4
- Standard Nappies/Diapers	7,147.7	8,870.4	10,743.9	13,483.7	15,773.4	18,217.4
Nappies/Diapers/Pants	13,552.5	16,811.4	20,423.7	25,685.7	30,061.1	35,022.8

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

The table below presents forecast retail sales of nappies/diapers/pants by category in terms of value growth from 2013 – 2018:

% constant value growth

	2013-18 CAGR	2013/18 TOTAL
Disposable Pants	33.1	317.6
Nappies/Diapers	10.7	66.4
- Junior Nappies/Diapers	11.5	72.6
- New Born Nappies/Diapers	9.6	58.0
- Standard Nappies/Diapers	11.0	68.7
Nappies/Diapers/Pants	12.1	77.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Euromonitor International predicts that the central government will ease the one-child policy over the forecast period by allowing households in which one parent has no siblings to have a second child. Some 15-20 million people will be affected by this new policy across China, which will doubtless have a positive impact on sales of nappies/diapers/pants, causing both retail volume and constant value sales to enjoy robust double-digit CAGRs over the forecast period. The constant value of sales of nappies/diapers/pants is likely to see a CAGR of 12% over the forecast period. This will mean a slowdown in the CAGR of 18% observed during the review period. This will mainly be because of the relatively high penetration that nappies/diapers/pants enjoyed, especially in developed regions and urban areas, at the end of the review period. On the other hand, according to Euromonitor International, disposable pants are expected to witness the most dynamic constant value sales growth over the forecast period, with a CAGR of 33% predicted.

Furthermore Euromonitor International believes that the average unit price of nappies/diapers/pants will see an increase of 1% CAGR during the forecast period. A relatively limited increase is anticipated, mainly because, by the end of the review period, nappies/diapers/pants had already achieved relatively high penetration rates in developed areas, with future sales growth mainly driven by improved products and deeper penetration into more rural areas of the country.

In addition, given the easing of the one-child policy, in 2013 leading players began to expand production capacity to cater to potential new demand during the forecast period. If leading players increase production capacity, this will ensure stable supply over the forecast period, even with the expected strong double-digit retail volume sales growth.

Adult diapers

With the development of the Chinese economy, an aging society, and 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). The table below illustrates life expectancy and population aged over 65 in China from 1990 to 2012:

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 (million)	63.03	73.735	86.35	100.34	115.00	118.34	122.26

Source: NBSC

According to Euromonitor International, incontinence products witness constant value sales growth of 18% in 2013, to reach RMB1 billion. 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. Euromonitor International explains that incontinence saw retail volume and constant value sales growth of 18%, the same as was seen in 2012. Previously, only a limited group of high-income customers in China, residing in developed areas, used incontinence products. As a result of efforts by some leading brands to raise consumer awareness, these products saw increasing acceptance by Chinese consumers over the review period.

According to Euromonitor International, as the Chinese population ages and the availability of incontinence products expands, growth in sales of these products must increase during the forecast period. Furthermore, Euromonitor International claims that, during the forecast period, incontinence constant value sales will see a CAGR of 21%. This is an increase on the CAGR of 16% noted over the review period. The penetration rate of incontinence products remained low at the end of the review period despite the sizable number of elderly people in China. With new market entrants offering a wider range of products at more affordable prices, the use of incontinence products is likely to increase during the forecast period, pushing retail value sales. In

Euromonitor International's opinion, between 2013 and 2018, incontinence is expected to see an increase in constant value average unit price at a CAGR of 2%.

The tables below present retail sales of incontinence by category from 20013 to 2018. Data used in the table below for 2013 is in current terms, while data for 2014-2018 is in constant terms.

RMB million

	2013	2014	2015	2016	2017	2018
Incontinence	1,021.5	1,226.3	1,476.3	1,782.6	2,158.6	2,621.5

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

On this basis Euromonitor International forecasts that with the growing purchasing power and the climbing awareness of personal well-being, incontinence is likely to experience an even stronger constant value CAGR of 21% over the forecast period, to outpace the 16% of the review period:

% current value growth

	2013-18 CAGR	2013/18 TOTAL
Incontinence	20.7	156.6

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

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 in personal hygiene. According to the Directory of Tissue Paper & Disposable Products 2012/2013, after more than 20 years of development the Chinese sanitary napkin market has entered into mature period; however, compared with the 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:

Country	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

Euromonitor International confirms that in 2013, standard towels without wings saw a further significant fall in retail volume and value sales. With both standard towels with wings and ultra-thin towels seeing on-going innovation, standard towels without wings gradually came to be seen as outdated and, as a result, less competitive. For manufacturers, upgrading their production facilities to produce products with wings required modest investment, but, according to trade sources, led to vastly improved profit, which served to restrict the number of players which continued to produce towels without wings (source: Euromonitor International).

According to Euromonitor International overall, sanitary protection in China saw constant value sales growth of 7% in 2013, which represented a slight slowdown from the CAGR of 8% seen over the review period. The tables below present retail sales of sanitary protection by category from 2008 to 2013:

RMB million

	2008	2009	2010	2011	2012	2013
Pantyliners	3,877.6	4,323.9	4,995.2	5,721.3	6,453.6	7,196.9
Tampons	8.4	9.0	9.7	10.5	11.4	12.3
Towels	32,393.2	35,267.6	39,660.2	44,461.4	49,346.4	54,210.6
- Standard Towels	12,525.9	13,304.1	14,499.0	15,760.9	16,965.0	18,094.5
- Ultra-Thin Towels	19,867.3	21,963.6	25,161.2	28,700.5	32,381.4	36,116.1
Sanitary Protection Including Intimate Wipes	36,279.3	39,600.5	44,665.0	50,193.2	55,811.4	61,419.7
Sanitary Protection	36,279.3	39,600.5	44,665.0	50,193.2	55,811.4	61,419.7

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

%current value growth

	2012/13	2008-13 CAGR	2008/13 Total
Pantyliners	11.5	13.2	85.6
Tampons	7.9	7.8	45.8
Towels	9.9	10.8	67.4
- Standard Towels	6.7	7.6	44.5
- Ultra-Thin Towels	11.5	12.7	81.8
Sanitary Protection Including Intimate Wipes	10.0	11.1	69.3
Sanitary Protection	10.0	11.1	69.3

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Euromonitor International forecasts that sanitary protection is expected to enjoy a positive constant value sales increase over the forecast period, with an anticipated CAGR of 6%. This is a fall from the review period, when the CAGR was 8%. After several years of strong growth, the sanitary protection market in China had neared maturity by the end of the review period, including reaching into remote and rural areas. While increasing consumption will help push retail value sales growth over the forecast period, the rate of growth is expected to be slower than over the review period, due to the existing large base.

The table below presents Euromonitor International's forecast concerning the growth of this market from 2013 to 2018:

% constant value growth

	2013-18 CAGR	2013/18 TOTAL
Pantyliners	7.1	41.0
Tampons	3.6	19.2
Towels	5.8	32.4
- Standard Towels	2.9	15.4
- Ultra-Thin Towels	7.1	40.9
Sanitary Protection Including Intimate Wipes.	5.9	33.4
Sanitary Protection	5.9	33.4

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

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.

Euromonitor International reports that retail tissue sees current value sales growth of 8% to reach RMB90.3 billion in 2013. The tables below present retail tissue sales by category from 2008 to 2013:

RMB million

	2008	2009	2010	2011	2012	2013
Kitchen Towels	32.0	44.1	58.7	76.4	97.7	119.8
Paper Tableware	11.7	12.2	13.1	14.3	15.3	16.3
Tissues	10,152.5	11,230.4	13,675.1	16,390.7	19,045.2	21,159.0
Toilet Paper	40,097.0	43,585.9	51,129.6	59,221.7	64,381.0	69,037.2
Retail Tissue	50,293.2	54,872.6	64,876.4	75,703.1	83,539.3	90,332.3

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

% current value growth

	2012/13	2008-13 CAGR	2008/13 Total
Kitchen Towels	22.7	30.2	274.8
Paper Tableware	6.1	6.9	39.6
Tissues	11.1	15.8	108.4
Toilet Paper	7.2	11.5	72.2
Retail Tissue	8.1	12.4	79.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Euromonitor International expects also retail tissues sales are expected to see a constant value CAGR of 8% from 2013 to 2018. Nonetheless, this represents a slowdown from the CAGR of 10% seen until 2013. Particularly in developed regions of the country, by the end of the review period retail tissue products had reached maturity. This was caused by rising per capita consumption, growing hygiene awareness, and improved product variety in all price ranges. Nevertheless, retail tissue is expected to enjoy strong retail value sales growth during the forecast period, as a result of further product penetration in rural areas of China, and a greater frequency of usage among existing consumers (source: Euromonitor International). Tissues are expected to see strong constant value sales growth between 2013 and 2018, at a predicted CAGR of 11%.

% constant value growth

	2013-18 CAGR	2013/18 TOTAL
Kitchen Towels	18.5	133.9
Paper Tableware	2.8	14.6
Tissues	11.4	71.2
Toilet Paper	6.7	38.2
Retail Tissue	7.9	46.1

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

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 raising 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 are 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 consist 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 believes 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, Quanzhou Peixin and Quanzhou Baixin, 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, with further amendment effective on 1 March 2014.

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 Fujian Peixin, Quanzhou Peixin and Quanzhou Baixin (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 ("FlE") 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 a 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, with amendment effective on 15 March 2014, 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 and comprehensive information concerning their commodities' or service's quality, function, usage, expiration date, etc., 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 and the defects were not in any violation to mandatory provisions of the law;

- Should the commodities or services provided by the business operators are not in compliance with quality requirement, consumers are entitled in accordance with the state regulation or agreement agreed between the consumers and business operators to refund, or require the business operators assume the responsibilities of replacement or requirement;

- Should the business operators use format contracts in business action, business operators shall in an express way call consumers attention to the quantity, quality, price or fee, period and way of fulfilment, security and risk notes, after-sale service, civil responsibility and other content and information of the commodities or services that in material relation to the consumers, and explain as required by the consumers. 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 and may not make compulsory transaction through format contracts or technique measures. 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, with further amendment effective on 29 June, 2013, 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 enterprise 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 occurs 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 for EIT purpose. 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. The VAT pilot has been expended throughout all regions of China as of 1 August 2013. Currently, the pilot program applies to the transportation sector, postal services sector 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 tax 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; 11%for the transportation sector and postal services sector and 6% for other modern services.

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 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, with further amendment effective on 1 May 2014. 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 to a registered trademark in respect of the same commodities without the authorisation of the trademark registrant;
- a use of a trademark that is similar to a registered trademark in respect of the same commodities without the authorisation of the trademark registrant, or a use of a trademark that is identical or similar to a registered trademark in respect of the similar commodities, which could easily cause misleading, 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;

- intentionally providing others infringing on the exclusive right to use the trademark with convenient condition, and help others conduct infringement on the exclusive right to use the trademark;

- 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, researches and develops, manufactures and sells machines manufacturing daily-use hygiene products such as sanitary napkins, diapers, facial tissues and other products. With 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese manufacturers of machines producing daily-use hygiene products and offers the most sophisticated products of this type such as full-servo machines. The Group has one of the highest value of sales among domestic manufacturers of daily-use hygiene machines, according 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 36%, 47%, 13% and 4% of the Group's revenues for 2013 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. 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 only current production facility is located in Quanzhou, Fujian province in China, which was recently expanded as a result of finalising the first phase of the investment. The Group intends to open a new factory at the beginning of 2016, and perceives the opening of the new factory 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, the Middle East, 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 further strengthen its existing distribution coverage in China and expand it from the current coastal areas to other inland and economically growing regions, including the provinces of Henan, and Hunan. The Group believes that the development of its domestic distribution force will allow it to increase sales of its products. Since the beginning of 2014 the Group's service staff is present in Ankara, Turkey to provide after-sales support for clients, not only in Turkey, but also in the continental Europe, North Africa and the Middle East. The company is evaluating the possibility of opening overseas offices. The Group also intends to intensively increase its direct sales in further selected overseas markets such as India and Turkey by increasing promotional efforts such as targeted advertising and participation in exhibitions. The Company would also like to continue using indirect distribution channels (distributors) especially to sell to regions where its direct presence is either impossible or suboptimal, due to the political situation, business connections, etc.

In 2011, 2012 and 2013, the Group generated revenues of EUR 32,839 thousand, EUR 46,509 thousand and EUR 59,407 thousand respectively, and operating profit of EUR 9,607 thousand, EUR 13,792 thousand and EUR 18,633 thousand 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, a holding company, formed in the British Virgin Islands on 29 June 2004. As of the date of the Prospectus, Quanzhou Peixin conducts no operations. It owns part of 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.

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

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.

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’s restructuring in connection with the IPO. As of the date of the Prospectus, the Company is the sole shareholder of Peixin International BVI, which in turn holds 100% of the shares in all of the Group’s Chinese subsidiaries. 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.

On 18 April 2014 Quanzhou Baixin Machinery Manufacturing Industrial Co., Ltd (**Quanzhou Baixin**) was established in connection with the purchase of a land and plant construction in Yongchun county as well as future operations in the mentioned plant, with Peixin International BVI as its sole shareholder.

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 business 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.

Year	Event
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%.
2011	The Group manufactured the first full-servo adult diaper production line.
2011	The Group manufactured the first fruit pads machine.
2012	The Group manufactured upgraded full-servo pet pad production line with doubled running speed.
2013	The Group manufactured full-servo T shaped baby/adult disposable diaper production line; IPO on the Warsaw Stock Exchange
2014	The Group opened the new workshop within existing factory.

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 Qiulin, the Group's CEO, has over 30 years of experience in the industry. With 20 years of manufacturing and design experience, the Group has gained a thorough understanding of production technologies, client needs and valuable experience in distribution of products both in China and abroad. The Group is one of the oldest Chinese 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. 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 Qiulin Xie, 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 producers 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. No data for 2013 are

yet available, however, based on the Company's growth and the market situation, the Company has no reasons to believe that the situation changed materially in 2013.

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) remained low at only c.a. 0.2% in 2013. 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 the majority of other domestic competitors.

The Group further believes that the quality of its products and its technology level provide 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 serve 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 the 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 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 many smaller domestic Chinese competitors use.

The Group believes that its high technology allows the production of advanced production lines and machines which provides 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 29 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 the most advanced products, in particular advanced full-servo machines, which are currently considered to be the most advanced type of machines on the market.

The Group also regularly cooperates with several academic and industry centres such as: Huaqiao University, Fuzhou University, Beijing mechanical automation research institution; 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. Since the beginning of 2014, the Group's service staff is present in in Ankara, Turkey to provide after-sales support for clients not only in Turkey, but also in continental Europe, North Africa and the Middle East. 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 current and prospective 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 proper response to clients' needs. Since the beginning of 2014, the Group's service staff is present in Ankara, Turkey to provide after-sales support for clients not only in Turkey, but also in continental Europe, North Africa and the Middle East.

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 promotions and conferences 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.

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

The Group's focus regarding its sales strategy is to build up its international presence (with a growing direct international presence) and to diversify sales between domestic and international markets, while maintaining a significant presence on both of them.

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 Henan and Hunan. The Group believes that the development of its domestic distribution force will allow it to increase sales of its products.

The Group intends to increase its direct sales in selected overseas markets such as India and Turkey, 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 and, consequently, the Group may be able to increase the sales of its products in those markets. The Group also aims at selling relatively larger and more sophisticated machines through direct channel as it 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. The Company is also evaluating possible options to open overseas offices.

The Company would also like to use indirect distribution channels (distributors), especially to sell to regions where its direct presence is either impossible or suboptimal, due to a political situation, business connections etc. Such regions include Paraguay, Afghanistan and Syria where the Company's direct presence and the establishment of business relations may take time, especially in remote areas, therefore it is more reasonable to use indirect distribution channels.

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 translate 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 the Middle East.

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 is also evaluating the possibility of opening overseas offices. 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 is also considering strategic partnership with entities having advanced know-how, that could help the Group’s technology to be improved to the level of leading international 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 a new factory at the beginning of 2016. 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 and keeping the leading position among domestic producers of machines manufacturing daily–use hygiene products.

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 the companies based in China which offer the most advanced products in terms of speed, accuracy and technology. Additionally, the Group believes that its product quality and advancement is similar to the products of its international competitors, and the Group aims to upgrade its products to the highest standards.

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

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

The Group currently has over 40 models of machines. The Group is constantly upgrading its products as well as introducing new products. During the year 2013, the Group continued to transform its product structure towards more complex and more functional production lines, which is the driving force behind its sales. In response to clients' cyclical demands, in 2011, 2012, 2013, the Group introduced four, one, and four new models of machines, respectively. The Group's core products are sanitary napkins and diaper production lines, together representing 83% of the Group's consolidated turnover in 2013 (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. Currently, the further technical development of machines consists of enhancing full-servo machines. The development of the machines is generally driven by increasing the production capacity of the machines (speed), reliability of their operation as well as quality of the end products. Other factors driving technical development were the increase in operating ratio (operating time as opposed to technological breaks) and energy consumption decrease (per unit of the end product). The increasing sales of full-servo machines are a demonstration of how strong quality and technology of the products have gained in importance.

The Group 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. Full-servo machines are among the most expensive in the Group's offer and, as a rule, could generate a higher margin.

Average machine prices throughout the analysed period are presented in the table below.

	2011	2012	2013
	TEUR	TEUR (unaudited)	TEUR
Sanitary napkins production lines (average price).....	298.5	305.3	344.6
Diaper production lines (average price).....	359.3	463.4	441.4
Facial tissue machines (average price)	17.2	18.0	16.2
Other paper machines (average price)	71.3	54.1	28.8

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). Consequently, the change in the average prices throughout the periods in the segments is, among others, driven by a product mix, and is not necessarily the result of changes in the Group's pricing policy.

Diaper Machines

Diaper Machines contributed revenues of 36% of the Group's consolidated turnover in 2013. 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. The products within this segment differ from each other in terms of the technology used. All of the products are tailor-made and the price is set based on customization.

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 70 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 47% of the Group's consolidated turnover in 2013. 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 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)

Product	Key features
	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 13% to the Group's consolidated turnover in 2013. 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 toilet paper 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: 4 ~ 8 t (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: 1.5 t-2.8 t
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 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 4% to the Group's consolidated turnover in 2013. 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). The revenue generated in this segment is mainly driven by production volume in other segments and is not the core business of the Group.

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
Stacker 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

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.

	2011		**2012**		**2013**	
	mechanical workshop	assembling workshop	mechanical workshop	assembling workshop	mechanical workshop	assembling workshop
Total Capacity (working hours)	330,000	264,000	362,000	290,000	346,000	308,000

Utilisation rate (8h/ a day)*	104%	96%	117%
Utilisation rate (8h + 2 h/ a day)*	84%	77%	94%

**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 of 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.

	2011	**2012**	**2013**
		Units (audited)	
Sanitary napkin machines	45	64	81
Diaper machines	26	35	49
Facial tissue machines	466	396	459
Other paper machines	29	67	85
Total	566	562	674

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. The Group has recently expanded its existing production facility by up to 50% as a result of finalising the first phase of the investment. Though the Group has already reached its capacity and is currently using overtime to respond to market demand, therefore the main goal of the investment plan is to develop new capacity also given the intended increase in sales (see "*Use of proceeds*" and "*Investments*".)

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.

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. 22,000 square meters of production area, which was recently expanded as a result of opening a new workshop within existing factory constituting finalising the first phase of the investment. 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*".

Partial outsourcing is almost inconsequential for the Company's operating model as both its cost and quality is similar to the Company's internal production. What is more important is that it provides flexibility in terms of production management especially in periods of increased numbers of orders.

The Group did not experience any significant production breaks in the Group's production process during the period covered by the Consolidated Financial Statements.

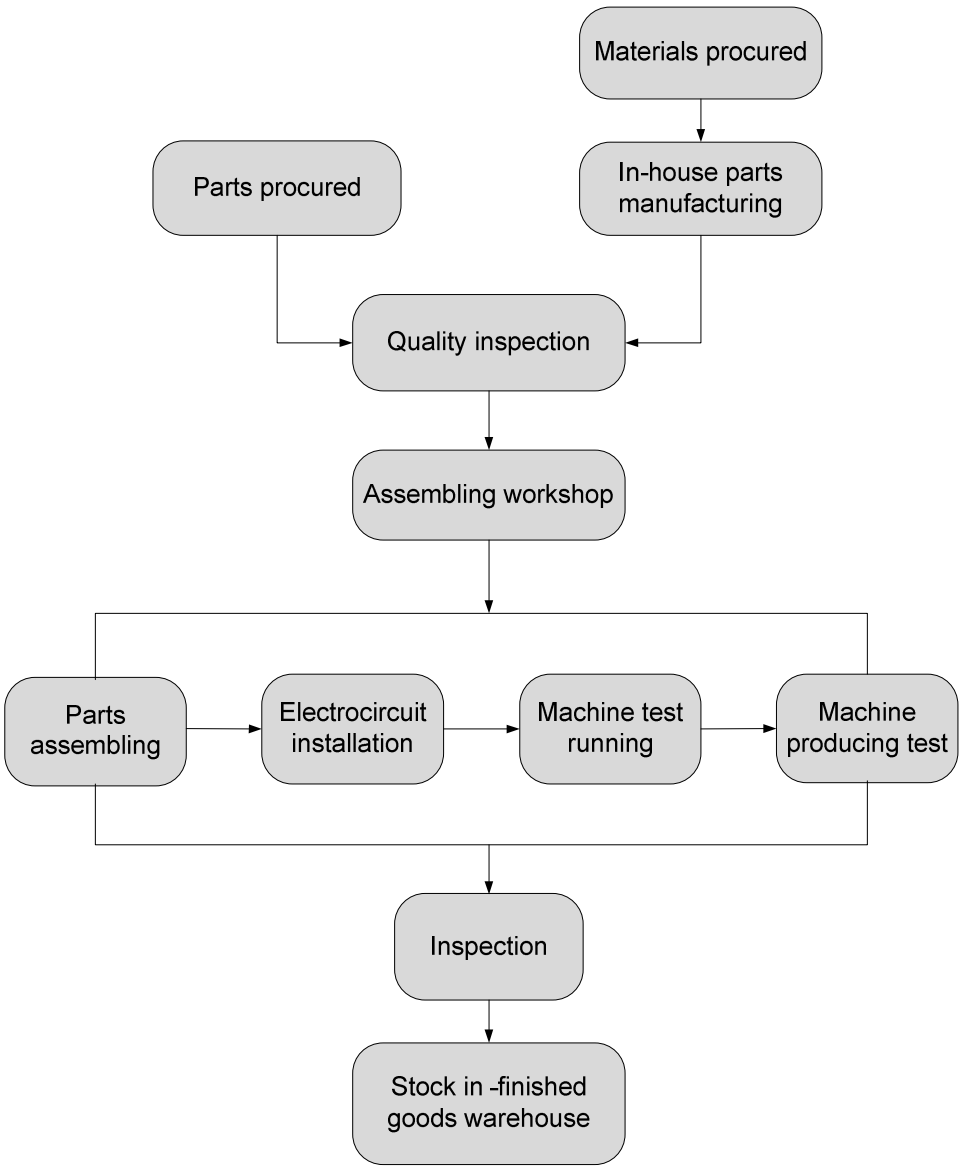
Production process

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, the Middle East 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 are 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 (especially with respect to domestic clients). According to the Company’s estimates in 2013, around 80% of sales are contributed by repeat orders from current customers.

The following table breaks down the Group's sales:

	31 December						Change	
	2011		2012		2013		2011/2012	2012/2013
	Unit	TEUR	Unit	TEUR	Unit	TEUR	%	%
			(audited)				(unaudited)	
Revenue:								
Direct sales								
-Mainland China	261	21,077	328	24,818	428	37,247	17.7	50.1
-Outside Mainland China ...	61	2,698	51	2,203	46	5,050	-18.3	129.2
Sales to trading companies	244	9,064	183	19,488	200	17,110	115.0	-12.2
		32,839		46,509	674	59,407	41.6	27.7

Source: Consolidated Financial Statements

As of 31 March 2014, the Group's sales department consisted of 23 sales representatives, 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 due to the Chinese New Year and the factories’ closure for two weeks. However, slightly more sales are normally generated in the fourth quarter of the year due to the fact that clients want to have their products delivered by the end of the year in order to start their business after the Chinese New Year holiday period.

The table below shows share (%) of each quarter in annual sales:

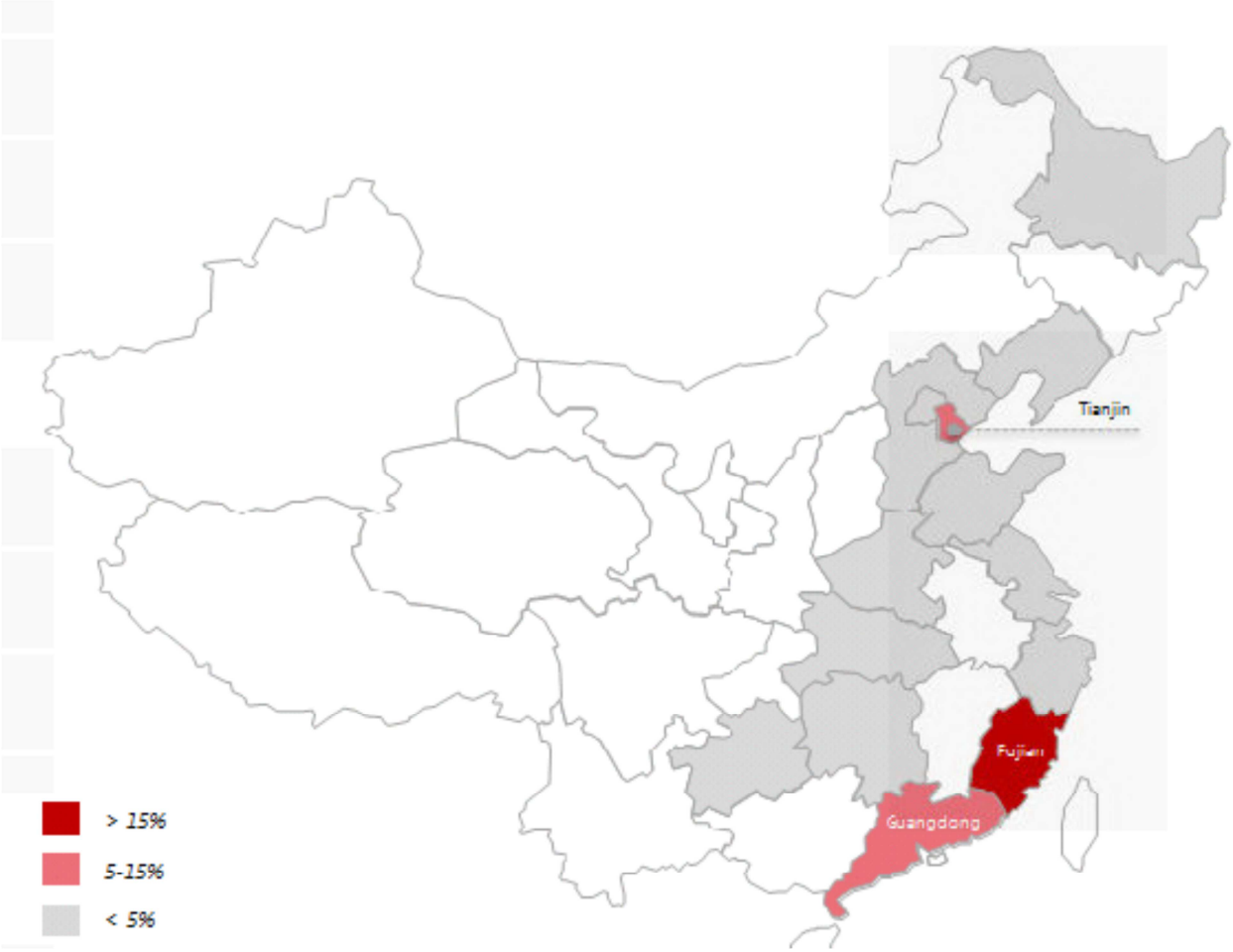
No.	1Q	2Q	3Q	4Q
		(unaudited)		
2011	19%	27%	21%	33%
2012	20%	28%	22%	30%
2013	18%	28%	26%	28%

Source: the Company

Distribution in China

Distribution in China is based on the Group’s selling representatives, who cover mainly the coastal region of China. Domestic sales constituted 63.5% of total sales in 2013. Nearly half of domestic sales in 2013 were 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 2013:



Source: the Company

Distribution outside China

The Group's international sales are mainly in Asia, Africa, the Middle East 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 2013, 8.5% of the Group's products (by revenue) were sold by the Group to international clients directly. Although the Group's growth in revenues in 2013 was mainly generated on the domestic market (63% of revenues) following trends of increased internal consumption resulting in an increase in the manufacturing industry, the Group remains focused on building and maintaining strong relations with its international clients and developing business directly in the overseas market. Diversification of sales between domestic and international markets, while maintaining a significant presence on both of them, remains the Group's strategic goal.

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 directly sold outside China in 2013:

Source: the Company

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 the provinces of Henan and Hunan. The Group would also like to increase its sales force from the current 23 employees in the sales department (including seven responsible for international sales). Depending on the market conditions, the Group intends to increase the number of its sales representatives, both in domestic and international markets.

The Company intends to further strengthen the direct international sales channel in some of the most prospective countries. Since the beginning of 2014, the Group's service staff is in Ankara, Turkey to provide after-sales support for clients not only in Turkey, but also in continental Europe, North Africa and the Middle East. The Company is evaluating the possibility of opening overseas offices.

The Group also intends to increase its direct sales in selected overseas markets such as India and Turkey, by increasing promotional efforts such as targeted advertising and participation in exhibitions. In particular the Group actively promotes Indian market and encourages potential clients to invest in India and equip their production facilities with the Group's full-servo sanitary napkin machines. Moreover, the Group has recently became the supplier of sanitary napkin machines to the HLL Lifecare Limited, a state-owned company involved in Indian government programme aimed at increasing awareness, access and use of sanitary napkins among adolescent girls in rural areas.. 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 aims at selling relatively larger and more sophisticated machines through direct channel as it 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.

The Company would also like to continue using indirect distribution channels (distributors) especially to sell to regions where its direct presence is either impossible or suboptimal, due to the political situation, business connections, etc. Such regions include Paraguay, Afghanistan and Syria where the Company's direct presence and the establishment of business relations may take time, especially in remote areas, therefore it is more reasonable to use indirect distribution channels.

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 10% - 30% down payment after signing the contract. 70 - 90% of the price is paid within 60 days after shipment and, in the case of some contracts, the remaining 10% of the price is usually due within 0.5–1 year. Clients are usually responsible for covering custom duties.

In the first half of 2013, the Group made a decision to extend payment terms to its main customers who were currently leading the process of consolidation. This resulted in increased orders from the mentioned customers. The Group believes that improved payment terms will facilitate the successful accomplishment of the customer 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 also impact its short-term operational results due to longer collection periods. 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 2013, 2012 and 2011 the Group's top five customers accounted for approximately 23%, 22% and 26% of the Group's total sales.

The table below shows the Group's top-five customers in 2013:

Customer	TEUR	
	Sales 2013	% of Sales 2013
	(unaudited)	
Customer 1	3,463	5.83%
Customer 2	2,755	4.64%
Customer 3	2,578	4.34%
Customer 4	2,544	4.28%
Customer 5	2,271	3.82%
Top Five Customers	13,611	22.91%
Total Sales	59,407	100%

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. Since the beginning of 2014 the Group's service staff is present in Ankara, Turkey to provide after-sales support for clients not only in Turkey, but also in continental Europe, Northern Africa and the Middle East.

The aftersales service also gives the Group feedback from its clients who 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 plant in Fujian Province is 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 2013.

No.	Supplier	Product Purchased	Value (TEUR)	% 2013 COGS
			(**unaudited**)	
1.	Supplier 1	Glue machines	4,092	11.03%
2.	Supplier 2	Motor and accessories	4,016	10.83%
3.	Supplier 3	Electronic controllers	3,641	9.82%
4.	Supplier 4	Motor and accessories	3,602	9.71%
5.	Supplier 5	Steel	2,744	7.40%
6.	Supplier 6	Pneumatic equipment	2,697	7.27%
7.	Supplier 7	Motor and accessories	2,473	6.67%
8.	Supplier 8	Automatic controller	2,284	6.16%
9.	Supplier 9	Knife roller	1,426	3.85%
10.	Supplier 10	Steel	1,131	3.05%

No.	Supplier	Product Purchased	Value (TEUR)	% 2013 COGS
Top-10-Suppliers.....			28,106	85.60%
Total Purchase (by value).....			32,834	100%

Source: the Company

Supply of materials consumed in production

For 2013, 81.7% 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 13.9% of the Group's production costs for the year ended 31 December 2013 (17.7 for 2012 and 17.1% for 2011). 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 31.0% of the Group's production costs for the year ended 31 December 2013 (18.9% for 2012 and 27.8% for 2011).

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 15.2% of the Group's production costs for the year ended 31 December 2013 (13.1% for 2012 and 13.0% for 2011).

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 29 employees, all of whom have either bachelor degrees or a mechanical engineering diploma or certificate. Most R& D employees have over five years' industry experience.

The Group's R&D expenditures were EUR 782 thousand in 2011, EUR 1,019 thousand in 2012 and EUR 1,434 thousand in 2013.

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, Beijing mechanical automation research institution; 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 the 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 develop its own software.

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 improved baby diaper machine. The Group is currently testing and implementing modifications to this production line and expects to commercialise it by Q1 2015.

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. The Group is also considering strategic partnership with entities having advanced know-how, that could help the Group's technology to be improved market to the level of leading international players.

Quality

Industry standards and awards

The Group believes that the quality of its products is close to that of 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 at 0.52% 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% since January 1, 2012 which will cover the period until 31 December 2013. The Group intends to apply to renew the certificate for the next 3 years (i.e. 31 December 2016) and expects that the tax rate of 15% will be applicable to Fujian Peixin also for this period, although the procedure is still pending.

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 two patents for invention and seventeen patents for utility models and has six patent applications for inventions 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 improved automatic sanitary napkin packing machine	29 March 2011	N/A	Twenty years from the application date	Pending
ZL201110075517.3	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	20 November 2013	Twenty years from the application date	Awarded
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	11 July 2012	N/A	Twenty years from the application date	Pending

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
	pet (bed) mat production line machinery				
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	15 January 2010	20 October 2010	Ten years from the application date	Awarded

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
	a wheel device				
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
ZL201220332707.9	宠物(床)垫生产线机械 pet (bed) mat production line machinery	11 July 2012	10 April 2013	Ten years from the application date	Awarded
ZL201220332690.7	复卷机厨房用纸的上胶机构 rewinding machine kitchen paper gluing mechanism	12 July 2012	16 January 2013	Ten years from the application date	Awarded
ZL201320456278.0	一种网轮的改进结构 A net wheel improvement device	29 July 2013	25 December 2013	Ten years from the application date	Awarded
ZL201320456304.x	一种平移推送装置 A translation push device	29 July 2013	8 January 2014	Ten years from the application date	Awarded
ZL201320456295.4	一种悬臂压送装	29 July 2013	8 January 2014	Ten years from the application date	Awarded

Application number/Patent Number	Name	Application date	Publication Date	Protection Period	Status
	置 A cantilever pressure feed device				
ZL201220389454.9	一种纸尿裤耳贴剪裁装置 A paper diaper ear paste cutting device	8 August 2012	27 February 2013	Ten years from the application date	Awarded
ZL201220387927.1	一种胶机工作台调整装置 A glue machine workbench adjustment device	7 August 2012	27 February 2013	Ten years from the application date	Awarded
ZL201220389321.1	一种新型纸尿裤小翼弧剪裁装置 A new paper diaper little curve line cutting device	7 August 2012	24 April 2013	Ten years from the application date	Awarded
ZL201220389322.6	一种新型离型纸放卷、换卷机 A new discrete paper discharge, changing roll mechanism	7 August 2012	27 February 2013	Ten years from the application date	Awarded

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

Trademark	Ownership	Registration No.	Duration
	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

General

The Group's investment plan aims to significantly increase production capacity and R&D capability in the upcoming years. The Group must carry out further significant investments to increase production capacity and R&D development in order to allow for the further mid to long-term growth.

More specifically, the Group intends to invest in facility development on the land it acquired (see "*Business of the Group – Material agreements – land acquisition*"), which will lead to an increased capacity as the assembly and mechanical areas are the key capacity limitations. Although it is highly probable that the Group will not be able to utilise all of 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.

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 increases potential consumer base for baby diapers; an increasing number of elderly people and growing life-expectancy positively affect the market for adults diapers), growing disposable income, change of habits which result in increased hygiene awareness and a transition from re-usable diapers to usable, and an increasing urbanization rate. (See "*Industry Overview*" for more details). Based on the Group's experience in the past, demand growth on the daily-use hygiene product market has resulted in increased demand for the Group's machinery.

Machine 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 expanding its customer base and geographical reach.

The Group believes that its past production and sales increases are mostly due 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 split its investment plan into four phases. The first phase was implemented in the first quarter of 2014 and involved improvements to the building located on the Group's premises. The Group adapted this

building for assembly and machinery workshops as well as a warehouse. The investments in the first phase also included machinery needed for increasing the capacity. Lower than expected inflows from the IPO and the necessity to adjust to a changing business environment enforced the changes to the Group's investment plan. The adjusted investment plan is presented below.

Past and current investments

During the last three financial years, the Group has made the following material investments:

Investment	2011	2012	2013	Total 2011-2013
		TEUR (unaudited)		
Machinery	672	124	4,963	5,759
Plant & Improvement	35	1,060	-	1,095
Land	-	-	4,855	4,855
Total	707	1,184	9,818	11,709

Source: the Company

The machinery acquired in 2011–2013 comprised production and assembly machines, both needed to increase production levels as well as for replacing current machines. The investments related to improvements included mainly a renovation of the Group's workshops and expansion of its production area. Line item "Plant & Improvement" is recognised in financial statements as an addition to the property, plant and equipment.

The investments in 2014 up to the date of the Prospectus that have already been started by the Group include app. EUR 1.418 million for renovation of the assembly warehouse and EUR 4.89 million as the last payment for the machinery for the mechanical workshop, acquired in 2013.

Future investments

The Company intends to carry out an investment plan amounting to RMB 330-360 million (app. EUR 38.8 – 42.3 million) by the end of 2015. The Group expects to cover the future investments in RMB – its functional currency. However, for presentation purposes only, future investments amounts in this section are presented also in EUR, based on 1 EUR = 8.5043 RMB exchange rate (cross currency rate based on the National Bank of Poland's exchange rates as at May 30, 2014: 1 RMB = 0.4871 PLN and 1 EUR = 4.1420 PLN).

The investment plan should cover land (land-use right) purchase (see "- *material agreements*" below), construction of new factory facilities together with equipment, as well as R&D expenses. Due to low external financing availability and lower than expected inflows from the IPO, the Company was required to alter its initial investment plan, dividing it into stages, executed in accordance with both capacity utilisation and financing availability.

According to the requirements imposed by local governments, certain construction work needs to be finalised within a given period of time.

The agreement, concluded in accordance with expected land purchase, also specifies some requirements necessary to be met by the Company, therefore to comply with the imposed requirements and retain flexibility, the Company's planned future investments are as follows.

The Company has already reached its capacity and is currently using overtime to respond to market demand, therefore the main goal of the first stage of the investment plan is to develop new capacity. To do so, the Company intends to construct a mechanical workshop (9,000 sq. m.) and assembly hall (15,000 sq. m.), and equip it with the machinery necessary for production (incl. advanced CNC machines, which enable precise,

high-quality parts to be manufactured). The Company also needs to construct a dorm to house the workers, which is common in the Chinese business environment; moreover, employees in Fujian province often come from different parts of China. Before the construction of buildings on the new ground, it needs to be improved, fenced, and the necessary piping needs to be constructed. Additionally, due to possible energy shortages in the area, the Company intends to buy power generators to maintain a stable energy supply. Initially, approx. 50% of the workshops will be utilised, with an option to expand utilisation in the future. However, construction needs to be finalised due to local government requirements. The Company also plans to cover the necessary R&D to maintain its high quality and competitive edge over its competitors.

The Company assumes that the abovementioned investments should increase its capacity by up to. 70%, on top of capacity levels available as of the end of 1Q2014.

The expected values of investments planned for 2014-2015 is shown in the table below. The timing of some investments (shifts from 4Q2014 to 1Q2015 in particular) may occur depending on the timing of external financing available to the Company.

Investment	**2014**		**2015**	
	mln RMB	**mln EUR**	**mln RMB**	**mln EUR**
Machinery	45	5.3	95	11.2
Plant	120	14.1	48	5.6
Land	15*	1.8	0	-
R&D	10	1.2	15	1.8
Total	**190**	**22.3**	**158**	**18.6**

* RMB 15m includes remaining land payment as at 31 Mar, 2014; most of the land was prepaid in 2013 and 1Q2014.

Along with capacity utilisation, the Company considers further investment after 2015, which shall be financed mainly from internally generated funds. Those investments should cover additional machinery to be placed in the constructed workshops, the expansion of the dormitory and relocating administration building from the workers' dorm to a separate building. This investment should amount to approx. RMB 180-200 million (app. EUR 21.2 – 23.5 million); however, it remains optional and its timing depends on the pace of business growth and utilisation of capacity.

Apart from the investment plan described above, the Company intends to invest RMB 10 million (app. EUR 1.2 million) annually to maintain its existing asset base.

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	2054-12-31	1,500

No.	Location	Expiry date of tenure	Land area (m^2)
	Province, the PRC.....		
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 and are pledged.

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

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 was 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. This lease has expired and the Company has taken the leased area back for its own production.

Material agreements

Loans

As at the date of the Prospectus, Fujian Peixin has five loans for a total amount of RMB 33,550,000 to be repaid to CCB at basic interest rate of 6% per year. 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. All of the loans mentioned below are secured by mortgages and personal guarantee described under "*Guarantees and mortgages*" below.

The table below presents general information on each particular loan agreement:

Agreement	Date	Principal	Term
RMB Working Capital Loan Contract (No.2014 JQFLDZ 12)	7 January 2014	RMB 1,450,000	from 7 January 2014 to 7 January 2015
RMB Working Capital Loan Contract (No.2014 JQFLDZ 15)	9 January 2014	RMB 5,000,000	from 9 January 2013 to 9 January 2015
RMB Working Capital Loan Contract (No.2014JQFLDZ 26)	21 January 2014	RMB 15,400,000	from 21 January 2014 to 21 January 2015
RMB Working Capital Loan Contract (No.2014 JQFLDZ 30)	25 January 2014	RMB 5,360,000	from 25 January 2014 to 25 January 2015
RMB Working Capital Loan Contract (No.2014 JQFLDZ 31)	28 January 2014	RMB 6,340,000	from 28 January 2014 to 28 January 2015

Guarantees and mortgages

Under the Guarantee Contract with a Ceiling Amount (No. 2012 JQFBGB Zi 28) Mr Qiulin Xie provides a joint and several guarantees 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.

Land acquisition

On 16 May 2014 Peixin International BVI concluded with the Preparation Construction Committee of Yongchun County Light Industry Base, which is a state-owned company acting on behalf of the Chinese government ("the Committee"), an agreement on a land use right ("the Agreement"), aimed at the land use right ("the Land") acquisition. The Agreement provides details regarding the Land itself as well as the scope and timing of investment to be carried out by Peixin International BVI, as required by the Committee. Due to the location of the Land, the Committee is allowed to impose additional investment requirements on the buyer, to ensure the proper use of the Land.

The Land is located in Yongchun County, approx. 60 km from the Group's current premises. Due to the fact that the Land is located in a different city than the current operational subsidiary of the Group, based on Chinese law, Peixin BVI was obliged to establish a new entity, Quanzhou Baixin, which will acquire the Land on the terms specified therein. The total area of the Land to be purchased is 71,262 sqm, while the actual land use area (after deducting the public usage area) is 60,000 sqm, and the total construction area is 45,000 sqm. The total price of the Land specified in the Agreement amounts to RMB 80.25m (excluding tax) and the

payment is divided into four instalments, three of which were already paid between December 2013 and March 2014. The remaining payment of RMB 10.25m shall be paid by 30 June 2014. The Group also paid RMB 10,000,000 for the levelling works related to the land.

In the event of a delay with the instalments payment, Peixin International BVI will pay a contractual penalty to the Committee in the amount of 0.1% of the outstanding price per day. Moreover, in the event of a delay in payment of more than 60 days, the Committee is entitled to terminate the Agreement, and exclude Peixin International BVI from the Land acquisition process. In such case, Peixin International BVI will be entitled to reclaim the prepayments made.

The Agreement requires Quanzhou Baixin to complete the construction of the new production facility within three years from the date of concluding the Agreement; however, the construction works shall commence no later than six months after the conclusion of the Agreement. If the construction works are not started within six months of the date of concluding the Agreement, or if the construction is not completed within three years of the conclusion date, Peixin International BVI is required to pay a contractual penalty of 0.1% of the total price per day of the Land. If Peixin International BVI is not able to pay the contractual penalties, it is obliged to return the Land to the Committee without compensation.

Peixin International BVI is required to invest no less than RMB 250m in the construction by 30 June 2015. Additionally, Peixin International BVI shall invest another RMB 250m in the Land by 31 December 2017 and complete the whole construction process by that date. In the event that Peixin International BVI does not fulfil the above specified investment schedule, it will be subject to a penalty in the amount of the outstanding amount of the investment. It is customary in China, especially in case of a long-term perspective and due to the changing business environment, for some clauses in such agreements to be subject to adjustments and further negotiations. In particular, the Group believes that this can be the case in terms of the final amounts to be invested or the deadline for the full completion of the investment plan.

Under the Agreement, Quanzhou Baixin shall begin production of the new plant by no later than the end of 2016. Moreover, the annual revenue of Quanzhou Baixin from the constructed facilities shall be no less than RMB 100m and the annual tax paid by Quanzhou Baixin (including VAT, business tax and corporate income tax) shall be no less than RMB 5m.

The Agreement provides for conditional benefits. If the annual tax paid exceeds RMB 5m and production starts within three years after the conclusion of the Agreement, Quanzhou Baixin will be granted governmental award in each of the next three years in the amount of 15%, 12.5% and 10% of VAT in each year respectively.

If Peixin International BVI decides to terminate the project due to Peixin BVI's own reasons and consequently returns the Land to the government, the Committee shall cooperate with Peixin International BVI in the procedure of reclaiming the part of the Land price, with no additional compensation, and the Committee has the right to ask Peixin BVI to level the Land. No compensation for the constructed facilities will be paid to Peixin BVI unless the Committee intends to use the facilities located on the Land.

Further formal steps to finalise the Land acquisition include i.a. participating in the bid, auction or listing, signing the formal land use right purchase agreement with the government as well as applying for and being granted the land use right certificate to be certified as the rightful owner. If the Group fails to complete the process, it may be able to reclaim the price for the land it has paid; however, it may lose any additional investment that the Group is required to carry out on the Land under the Agreement.

The above described stipulations are typical in China, specifically for such types of agreements concluded between private entities and entities acting on behalf of the Chinese government.

Insurance

The Group maintains insurance coverage for 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 or hold 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 Statements.

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 31 March 2014, the Group had 469 full time employees, 467 of whom were employed by Fujian Peixin. Among the 469 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 2011, 2012 and 2013 and as at 31 March 2014.

	31 December 2011	**31 December 2012**	**31 December 2013**	**31 March 2014**
Management and Administration* ..	34	35	36	36
Production	399	376	376	383
R&D	24	23	23	27
Sales	24	23	23	23
Total	482	457	458	**469**

**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 13,000,000, consisting of 13,000,000 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;

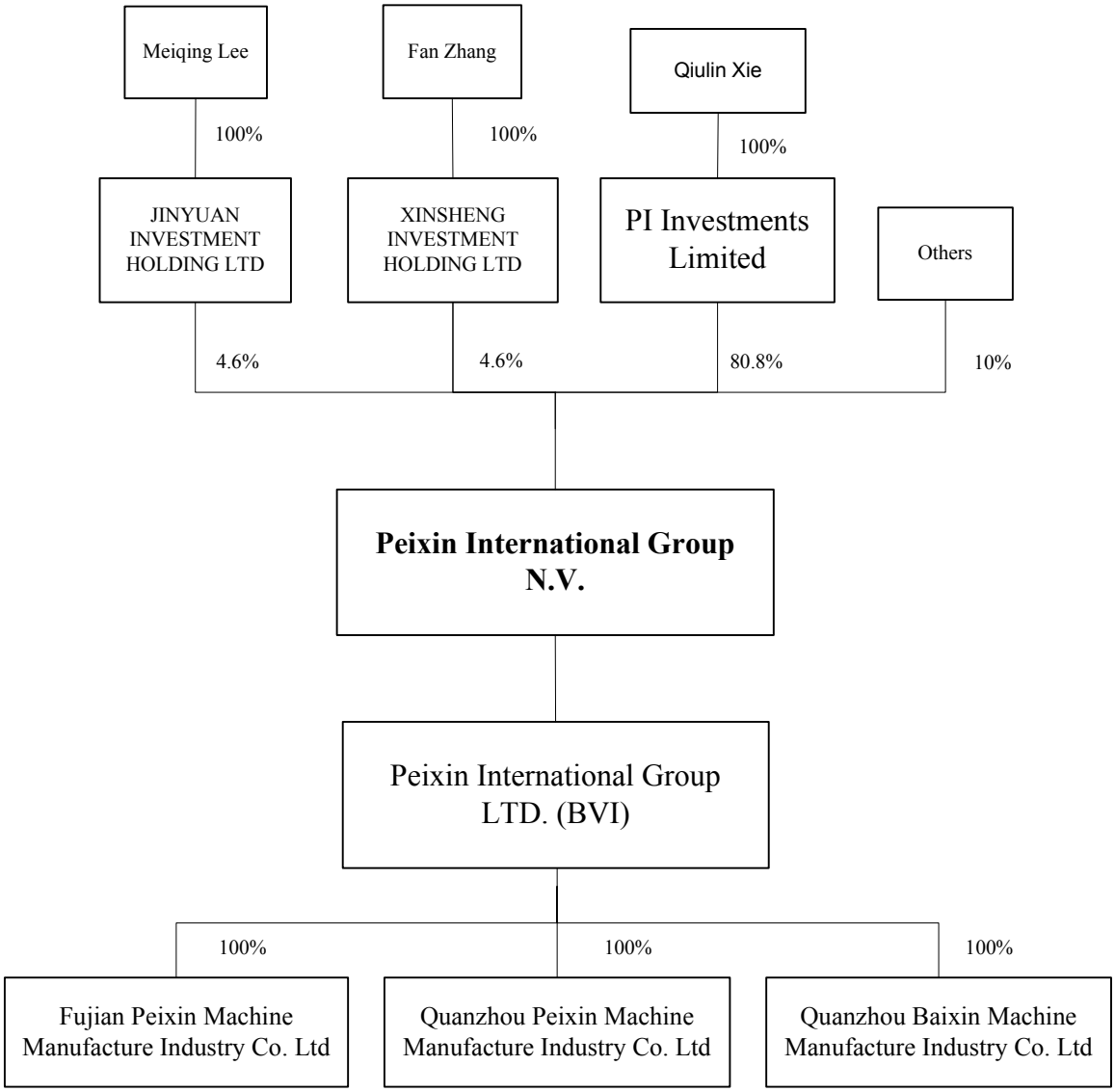
(h) to develop and trade in patents, trade marks, licenses, know-how, copyrights, data base rights and other intellectual property rights;

(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

As at the date of this Prospectus, 80.8% of the Company's share capital is held by P.I. Investment Limited, wholly owned by the current CEO 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 three subsidiaries: Fujian Peixin, the operation entity which manufactures and sells the Group products, Quanzhou Baixin, which has been established in connection with the intended land acquisition and Quanzhou Peixin with no business activity. All three companies 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 an international business company incorporated on 29 June 2004 under the laws of British Virgin Islands and automatically re-registered as a business company on 1 January, 2007 under BVI Business Companies Act, 2004. It is registered 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 Qiulin 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 Qiulin Xie, Xinsheng Investment Holding Ltd., Jinyuan Investment Holding Ltd. and Best Fortune Investment Enterprise Limited transferred 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. Fujian Peixin registered capital amounts to HKD 50,000,000 (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).

Quanzhou Baixin

Quanzhou Baixin Machinery Manufacturing Industrial Co., Ltd is a limited liability company incorporated on 18 April 2014 under PRC laws and is registered with Fujian Yongchun AIC under registration number 350525400066557. Its business address is Yongchun County Bangde Industry Zone. Baixin Industry has been established in connection with planned purchase of a land and plant construction in Yongchun country as well as future operations in the mentioned plant. Due to the legal requirements Company is required to establish a new entity to operate factory located in another city. Its scope of business includes manufacturing of hygienic products machines and other machines. Quanzhou Baixin’s registered capital amounts to RMB 50,000,000 (As of the date of the Prospectus, no registered capital of Quanzhou Baixin has been paid up.).

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.

The Management Board is authorised to represent the Company. 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.

Appointment, Term Length and Dismissal

The Management Board members are appointed by the General Meeting. 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 its 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

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;
- a proposal to reduce the issued capital of the Company;
- a proposal to amend the articles of association of the Company; and
- a proposal for a statutory merger or demerger to which the Company is a party.

The absence of the approval by the 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	55	Chairman	2 July 2013	4 years	the date of the annual General Meeting in 2017
Hongyan Dai	34	Chief Financial Officer	9 September 2013	3 years	the date of the annual General Meeting in 2016
Kaida Xie	28	Sales and Marketing Manager	9 September 2013	2 years	the date of the annual General Meeting in 2015
Bas Xue	38	Administrative Manager	2 July 2013	4 years	the date of the annual General Meeting in 2018

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 Machine Manufacture Industry 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 Machine Manufacture Industry 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 Machine Manufacture Industry 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 Fujian Peixin Machine Manufacture Industry 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 Fujian 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 Machine Manufacture Industry 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	35	Chairman	No	10 September 2013	4 years	the date of the annual General Meeting in 2017
Ming Shen	52	Member	Yes	10 September 2013	4 years	the date of the annual General Meeting in 2017
Liem Tsong Lucien Tjon	53	Member	Yes	10 September 2013	3 years	the date of the annual General Meeting in 2016
Jarosław Dariusz Dąbrowski	50	Member	Yes	10 September 2013	2 years	the date of the annual General Meeting in 2015
Rongfu Wu	29	Member	No	10 September 2013	4 years	the date of the annual General Meeting in 2018

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 Machine Manufacture Industry 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 (Xiang) since 1994 and an indirect 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 (Xiang), Geldersekade 41A, 1011 EJ Amsterdam.

Mr Rongfu Wu is a Chinese citizen. He has been engineer at Fujian Peixin since May 2009. Before that, from July 2007 he was employed as technician at Hengan Group-Hengan China Paper Manufacturing Co. Mr Rongfu Wu graduated from Haerbin Technology University, Mechanical Engineering in June 2007, where he received Bachelor degree. The business address of Mr Rongfu Wu is Fujian Peixin Machine Manufacture Industry 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 Audit Committee comprises three members of the Supervisory Board, namely Mr Ya Li, Mr Ming Shen and Mr Lien Tsong Lucien Tjon. The chairman of the Audit Committee is Mr Lien Tsong Lucien Tjon.

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 she/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 ones a year.

Remuneration Committee

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

The 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.

The table below shows the remuneration received by the members of the Management Board during the year ended 31 December 2013.

Name	Remuneration	Remuneration in kind and other benefits	Total remuneration
Qiulin Xie	RMB 624,000	RMB 200,000	RMB 824,000
Hongyan Dai	RMB 391,800	RMB 120,000	RMB 511,800
Kaida Xie	RMB 182,000	RMB 148,000	RMB 330,000
Bas Xue	-	RMB 5,000	RMB 5,000
Total	RMB 1,197,800	RMB 473,000	RMB 1,670,800

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.

The table below shows the remuneration received by the members of the Supervisory Board during the year ended 31 December 2013.

Name	Remuneration	Remuneration in kind and other benefits	Total Remuneration
Ya Li	RMB 6,000	RMB 50,000	RMB 56,000
Ming Shen	RMB 6,000	RMB 50,000	RMB 56,000
Liem Tsong Lucien Tjon	RMB 6,180	-	RMB 6,180
Jarosław Dariusz Dąbrowski	RMB 45,000	-	RMB 45,000
Rongfu Wu	RMB 266,500	RMB 30,000	RMB 296,500
Total	RMB 329,680	RMB 130,000	RMB 459,680

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 Machine Manufacture Industry 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 International Import & Export Trading Company, Deputy General Manager

Members of the Supervisory Board	Directorships / Partnerships
Ya Li	
Current positions:	since 2008, Fujian Peixin Machine Manufacture Industry 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 Holding 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 Qiulin Xie, member of the Management Board of the Company holds 10,500,000 Shares in the Company (see "*Major Shareholders and Selling Shareholder*"). 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 has 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 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 are listed on the WSE, the Warsaw Stock Exchange Code of Best Practice also applies 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 is required, however, to report and provide reasons for any non-compliance or partial compliance with any rule by way of a report and to include report on corporate governance compliance in our annual reports. The annual report of the group for 2013 is available on the company's website www.peixin.com.

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 III.5.6 The audit committee may not be chaired by the chairman of the supervisory board or by a former member of the management board of the company.

Mr Ya Li is the chairman of the Supervisory Board and the Audit Committee. Considering Mr Ya Li's financial expertise, the Company believes it to be in the best interest of the Company that Mr Ya Li chairs the Audit Committee.

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 AND SELLING SHAREHOLDER

The Principal Shareholder and the Selling Shareholder

As at the date of this Prospectus, 80.8% of the Company's share capital is held by P.I. Investment Limited, wholly owned by the current CEO Mr Qiulin Xie (the "Principal Shareholder").

The Selling Shareholder is Jinyuan Investment Holdings Ltd., a company incorporated under the laws of the British Virgin Islands, having its registered office at Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands and registered under BVI company number 1754678. The Selling Shareholder currently holds 600,000 Shares in the Company, which it intends to sell in the Offering on the terms contained in this Prospectus. The Selling Shareholder is wholly owned by Meiqing Lee.

The following table indicates our shareholding structure as at the date of this Prospectus. The Company's Principal Shareholder, directly or indirectly, and P.I. Investment Limited do 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
P.I. Investment Limited (wholly owned by Qiulin Xie)	10,500,000	80.8
Xinsheng Investment Holding Ltd (wholly owned by Fan Zhang)	600,000	4.6
Jinyuan Investment Holding Ltd (wholly owned by Meiqing Lee)	600,000	4.6
Others	1,300,000	10.0
Total	13,000,000	100.0

Source: the Company

Shareholding structure following the Offering

Following the Offering, assuming that the maximum number of the Offer Shares is issued and sold by investors other than the Principal Shareholder and P.I. Investment Limited, the Company's shareholding structure and dilution of the existing shareholders will look as follows:

Shareholder	No. of Shares	% in the share capital
P.I. Investment Limited (wholly owned by Qiulin Xie)	10,500,000	65.6
Xinsheng Investment Holding Ltd (wholly owned by Fan Zhang)	600,000	3.8
Jinyuan Investment Holding Ltd (wholly owned by Meiqing Lee)	0	0
Others	4,900,000	30.6
Total	16,000,000	100.0

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.

Apart from Management and Supervisory Board Members remuneration and benefits (see "*Management Board, Supervisory Board and Corporate Governance – Remuneration*") 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, subject to the above, includes material transactions concluded between the group of Peixin International BVI and its related parties from 1 January 2011 to the date of the Prospectus. Subject to the above, 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 Chongqing Sishuang to the Group resulted from sales of goods, were unsecured, non-interest bearing and fully repaid in 2012:

	31 December		
	2011 TEUR	2012 TEUR	2013 TEUR
Chongqing Sishuang	480	-	-

As at the date of the Prospectus there are no amounts due from related parties.

Amounts due to related parties

The related parties' payables results from covering by Mr Qiulin Xie certain Group's expenses related to the IPO. The amount due to Xie Qiulin as of the date of the Prospectus has not been repaid, is unsecured, non interest bearing and payable on demand.

	31 December		
	2011 TEUR	2012 TEUR	2013 TEUR
Mr Qiulin Xie	-	-	231

Sales of goods

	31 December		
	2011 TEUR	2012 TEUR	2013 TEUR
Chongqing Sishuang	586	-	-
Chongqing Beyou	-	544	-
Total	586	544	-

Compensation to director of Peixin International BVI

	31 December		
	2011 TEUR	2012 TEUR	2013 TEUR
Qiulin Xie			
- Short-term employee benefits	65	76	76
- Social welfare	*	1	1
Total	65	77	77

** Amount less than EUR 1,000.*

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 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 five loans in the total amount of RMB 33,550,000. 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 13,000,000, consisting of 13,000,000 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. A resolution of the Management Board to issue Shares, or to grant rights to subscribe for Shares, requires the approval of the Supervisory Board. 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.

In the AGM 2014 the Company's Shareholders designated the Management Board to issue the Offer Shares.

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 require majority of at least 80% of the votes cast in a meeting where at least 50% of the share capital is present or represented.

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. The resolution of the General Meeting requires a majority of at least 80% of the votes cast in meeting where at least fifty % of the share capital is present or represented. 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 the AGM 2014 the Company’s Shareholders designated the Management Board to exclude pre-emption rights with regard to 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.

In the AGM 2014, the Company’s Shareholders authorised the Management Board for a repurchase of 10% for a period of 18 months as of the date of the AGM.

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 implementation of the remuneration policy during the previous financial year, the adoption of the Company's annual accounts, the allocation of profits and the approval of the dividend, the discharge of the Management Board and Supervisory Board members, corporate governance matters, the (re)appointment of the external auditor, the authority to issue Shares, the authority to restrict or exclude pre-emption rights, 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 an announcement on the website of the Company.

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

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

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

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

- a termination of the admission to listing and trading of the Shares on a Regulated Stock Exchange;
- a restriction or exclusion of pre-emptive rights of Shareholders;
- 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 the Company offers up to 3,000,000 newly issued bearer shares (the "Primary Shares") and the Selling Shareholder offers up to 600,000 existing bearer shares (the "Secondary Shares"), both of the nominal value of EUR 1, totalling up to 3,600,000 shares (together the "Offer Shares").

The Primary Shares are allocated in the first place.

The Offering consists of a public offering to: (i) institutional investors in the Republic of Poland and (ii) retail investors in the Republic of Poland. 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 24 April 2014 the General Meeting approved the Offering and designated the Management Board as the corporate body authorised, subject to approval of the Supervisory Board, (i) to issue the ordinary shares in connection with the Offering and (ii) to exclude the statutory pre-emptive rights of holders of ordinary shares in connection therewith. As contemplated by this resolution of the General Meeting, on 9 June 2014 the Management Board, with the approval of the Supervisory Board granted on 9 June 2014, resolved to approve the Offering.

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 9 June 2014, the Management Board set the Maximum Offer Price at PLN 19.00 per Offer Share and the maximum number of Primary Shares to be issued at 3,000,000. The Offer Shares may be acquired by the Retail Investors and Institutional Investors. Offer Shares will be offered in to Retail Investors and Institutional Investors. It is expected that Retail Investors will be allocated approximately 20% of the Offer Shares. In case of significant demand generated by Retail Investors, the Management Board in consultation with the Lead Manager may increase Retail Investors' allotment up to maximum 25% of the Offer Shares.

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:

12 June to 17 June 2014	Subscription period for Retail Investors
12 June to 18 June 2014	Book-building process among Institutional Investors
18 June 2014	Closing of the book-building (Pricing Day)
No later than 20 June 2014	Announcement of the Offer Price and the final number of Offer Shares and final number of Offer Shares to be offered to Retail Investors
20 June to 25 June 2014	Subscription period for Institutional Investors
No later than 26 June 2014	Allocation of the Offer Shares among investors and issuance of the Offer Shares (Allotment Date)
On or about 8 July 2014	Commencement of trading of the Primary 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 19.00.

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 no later than 20 June 2014 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

It is the intention of the Company that Retail Investors will be allotted only Primary Shares. 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. The Management Board reserves right to allocate to any of the Institutional Investors either Primary Shares only, Secondary Shares only or both Primary and Secondary Shares at its sole discretion.

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 accepts 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 a press release or, if required by applicable law, 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 Selling Shareholder 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

The Existing Shares, including the Secondary Shares, are electronically registered with the NDS (*Krajowy Depozyt Papierów Wartościowych*), which is the Polish central clearinghouse and depository for securities, under the ISIN code NL0010577052. All Primary Shares, will be electronically registered with and will be cleared through the NDS. All Offer 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 equity securities. Delivery of the Offer Shares is expected to take place no later than on Listing Day, to Investors' securities accounts upon payment of the total Offer Price indicated in the subscription order for the Offer Shares, barring unforeseen circumstances. It is Company's and Lead Manager's intention that both, Primary Shares and Secondary Shares will be delivered to the Investors in a manner that trading with both, Primary Shares and Secondary Shares will be possible on the same day.

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 Primary Shares on the WSE as the notices may be delivered to the Investors after the listing commenced.

The Secondary Shares are and the Primary Shares will be, when issued, 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 Primary Shares to the WSE and Commencement of Trading

All 13,000,000 of the existing shares of the Company, including Secondary Shares, are listed on the parallel segment of the main market (Główny Rynek) of the Warsaw Stock Exchange ("Existing Shares"). The Primary 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 Primary Shares and the Existing Shares (together the "Shares") to trading on the main market segment of the regulated market on the Warsaw Stock Exchange.

The admission of the Primary Shares to trading on the WSE requires the satisfaction of conditions for admission to trading as set out in Paragraph 3 of the WSE Rules. In addition admission of the Shares, including the Primary Shares, for trading on the main market segment of the regulated market (rynek podstawowy) of the WSE requires the satisfaction of conditions for admission to trading as set out in Paragraphs 2.1 and 3 of the Market Ordinance. The conditions mentioned above include free float and capitalisation requirements. Admission to trading also requires a decision of the WSE Management Board. The WSE Management Board may refuse to admit the Shares, including the Primary Shares, to trading on the mentioned markets, if the conditions set out above are not met.

A WSE Management Board resolution approving the admission to trading of the Shares will be passed following an application filed by an issuer within 14 days of such application being filed, subject to the detailed provisions of the WSE Rules. When examining the application for the admission of securities to be traded on the WSE, the WSE Management Board will take into account: (i) the issuer's financial situation and its forecasts, particularly its profitability, liquidity and debt servicing ability, as well as other factors affecting the issuer's financial performance; (ii) the issuer's development prospects, including assessment of investment objectives taking into account their financing sources; (iii) the experience and qualifications of members of the management and the supervisory bodies of the issuer; (iv) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in Paragraph 35 of the WSE Rules and (v) the security of stock exchange trading and the interests of its participants.

If, following the Offering, the Company does not fulfil the criteria for the admission of the Shares to trading on the main market segment of the regulated market on the Warsaw Stock Exchange, or the application is

otherwise unsuccessful, the Company will apply for admission of the Primary Shares to trading on the parallel segment of the main market (Główny Rynek) of the Warsaw Stock Exchange, where the Existing Shares are listed.

As at the date of this Prospectus an application for the admission of the Primary 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 Primary Shares on the WSE should commence shortly after the settlement date. However, there can be no assurance that admission to trading of the Primary Shares on the WSE will in fact occur.

Investors trading on the WSE should consider that the Primary 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 Existing Shares are deposited with the NDS under the following ISIN code NL0010577052.

The Company intends to apply for registration of the Primary Shares in the NDS under the same ISIN code.

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 Primary Shares. The Existing Shares are and the Primary Shares will be cleared through the NDS. The NDS will act as a paying agent for any distributions payable to holders of the Shares.

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 Existing Shares are and the Primary 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 9 June 2014 the Company, the Selling Shareholder, Fujian Peixin and Quanzhou Peixin entered into a placement agreement (the "Placement Agreement") concerning the Offering with the Offering Agent and CC Group sp. z o.o., 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 Primary Shares to trading on the regulated 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 Primary Shares. The Placement Agreement includes also customary representations and warranties of the Selling Shareholder.

The Placement Agreement includes customary conditions precedent and events of termination, including force majeure events and compliance with the Company's and Selling Shareholder'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 Offer Shares on the WSE.

In connection with the Offering, the Company agreed to pay to the Offering Agent a placement fee of up to 3,35% (including an incentive fee), of the gross value of the proceeds from the placement and sale of the Primary 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. The Selling Shareholder agreed to pay the Offering Agent a fee of 2,35% of the gross value of the proceeds from the placement and sale of the Secondary Shares in the Offering.

Furthermore, the Placement Agreement contains customary undertakings of the Company, relating among others to lock-up provisions (see "*Lock-up*").

Lock-up

P.I. Investment Limited and the Company agreed that, during the period ending on 360 days after the listing of the Primary Shares, without the written consent of the Offering Agent, they will not nor any other affiliates over which they exercise management or voting control, nor any person acting on or their behalf will (i) issue,

pledge, offer, sell, transfer or otherwise dispose of (or publicly announce the issuance, offering, sale or disposal of) or take actions aimed at or which may result in the issuance of, any shares of the Company (or any other securities convertible into, exercisable for or exchangeable for the shares of the Company, including participations granting, directly or indirectly, the right to acquire or subscribe for the shares of the Company or any other securities or financial instruments which are valued by a direct or indirect reference to the price of the above-mentioned securities serving as the base instrument, including swaps for shares, futures and options), or (ii) enter into any swap or other transaction (such as the grant of purchase options, rights or warrants on shares) that transfers, in whole or in part, the economic consequences of the ownership of the shares of the Company or options, or (iii) enter into any other transaction which may result in the issuance, offering, sale or disposal of securities linked with the Company's shares. The obligation of P.I. Investment is conditional upon the listing of the Primary Shares on the Listing Date.

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 a 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 are 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 websit.*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 Polish Public Offerings Act, 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 Polish Public Offerings Act

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 instalments 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 instalments 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 instalment 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 concerning taxation in Poland and in the Netherlands means dividends or any other term as understood in Polish or Dutch tax law, respectively.

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 (i.e. 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.

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.

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 can 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 respective 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 with respect to Polish tax resident individuals, save as otherwise stated in the relevant 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 are 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.

Pursuant to Art. 30a section 9 of the PIT Act the taxpayers who earn revenues from dividends or other revenues from a share in the profits of legal persons from foreign companies, shall deduct the amount that corresponds to

the amount of tax paid abroad from a flat rate of 19% tax payable in Poland. However, the deduction cannot exceed the amount of tax calculated for said revenue (income), applying the 19 per cent rate.

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 who 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 can 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, 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 with respect to Polish tax resident corporate income taxpayers, 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. 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.

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 (i), 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, Tax on Civil Law Transactions 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 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 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 Polish 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 with 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 these cases, 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 Dutch 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 withholding tax

Withholding of dividend tax

The Company is required to withhold 15% Dutch dividend withholding 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 (for completeness, please note that the outcome in this respect could be different if a tax treaty is applicable); and

(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 no capital has been contributed in this respect; 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 Shareholders 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 withholding 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 have 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% covering the period until 31 December 2013. Fujian Peixin has applied for renewal of the certificate for the next 3 years (i.e. until 31 December 2016) and the procedure is pending.
PRC withholding tax on dividend:	Dividends distributed by the Group's Chinese subsidiaries are subject to 10% withholding tax on dividends in PRC according to the EIT law, unless the shareholder is qualified for a preferential dividend withholding tax rate under an applicable tax treaty.

Taxation in the British Virgin Islands

BVI corporate income tax:	A BVI business company is exempt from all provisions of the Income Tax Ordinance of BVI including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in the BVI. There is no capital gains tax, estate or inheritance tax payable by persons who are not persons resident in the BVI.
BVI withholding tax on dividend:	There is no income or other tax of the BVI imposed by withholding or otherwise on any dividend payment to be made to or by a BVI business company.

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, Quanzhou Peixin and Quanzhou Baixin.

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, Quanzhou Peixin or Quanzhou Baixin. 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 International 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, Quanzhou Peixin and Quanzhou Baixin 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, Quanzhou Peixin or Quanzhou Baixin 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

Documents incorporated by reference

The following documents have been incorporated by reference in this Prospectus:

- the Articles of Association (the official Dutch version and an English translation thereof);
- the English-language audited consolidated financial statements of the Group for the financial year ended 31 December 2013, together with the independent auditor's report dated 10 March 2014, included on pages 60 to 115 of the Company's annual report for the financial year ended 31 December 2013;
- the English-language audited consolidated financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 (included in the English-language consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012) together with the independent auditor's report dated 17 April 2013, included on pages F - 0 to F 43 of the Company's prospectus dated 17 September 2013;
- the English-language unaudited consolidated financial statements of the Group for the three months period ended 31 March 2014, together with the independent auditor's review report dated 15 May 2014, included in the Company's quarterly report for the period of three months ended 31 March 2014.

Copies of these documents can be obtained in electronic form from the Company's website at www.peixin.com. Potential investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. No other documents or information, including the contents of the Company's website (www.peixin.com) or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

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 2011, 2012 and 2013 and issued an unqualified auditor's opinion with respect thereto.

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 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. Additionally Lead Manager is providing sponsor of the issue account for the Company and is a market maker for the Company. Due to that, Lead Manager might hold shares of the Company for the purpose of market making (number may differ depending on current market situation). The Lead Manager does not hold any material interests in the Company.

Financial advisor

In connection with the Offering, financial advisory services to the Company and the Selling Shareholder are provided by CC Group sp. z o.o., with its registered office in Warsaw and postal address: ul. Zielna 41/43, 00-108 Warsaw, Poland. The services include assistance in preparation of the Offering, including, specifically, consultations with the Company, the Selling Shareholder, legal advisors and Lead Manager on an as required basis, as well as analytical and communication responsibilities towards the investors.

The remuneration of the financial advisor of CC Group sp. z o.o. for the abovementioned services is based on a success fee of 0,4% of the gross value of the proceeds from the Offering from the sale of the Primary Shares and 0,4% of the gross value of the proceeds from the Offering from the sale of the Secondary Shares. Moreover, CC Group sp. z o.o. has been rendering and may render to the Company PR, IR and disclosure services. CC Group sp. z o.o. does not hold any material interests in the Company and, specifically, as at the Prospectus Date, it does not hold any Shares.

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

AFM	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten)*
AIC	State Administration 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	Consolidated Financial Statements for 2013 and Consolidated Financial Statements for–2010 - 2012
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
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
Consolidated Financial Statements for 2013	the English-language consolidated annual report of the Company's group for the year ended 31 December 2013 including the independent auditor's report on the audit of this consolidated financial statement
Consolidated Financial Statements for 2010 - 2012	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
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
Existing Shares	13,000,000 existing ordinary shares in the Company with a nominal value of EUR 1 each
EIT Law	Enterprise Income Tax Law in the PRC
EUR	Euro
FIE	Foreign invested enterprise
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 unaudited consolidated financial statements of the Group for the three months period ended 31 March 2014, together with the independent auditor's report dated 15 May 2014.
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 promulgated in May 1990
IP	intellectual property
IPO	Initial Public Offering of the Company and listing of its shares on the Warsaw Stock Exchange in 2013
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
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*)
Market Ordinance	Minister of Finance's Regulation of 12 May 2010 on determination of detailed terms and conditions that must be satisfied by the official stock-exchange listing market and issuers of securities admitted to trading on such market (as amended)
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	The Primary Shares and the Secondary Shares
Offer Price	The 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 9 June 2014 between the Company, the Selling Shareholder, Fujian Peixin, Quanzhou Peixin, CC Group sp. z o.o. and the Offering Agent concerning the Offering.
PLN	Polish zloty, the lawful currency in Poland
Polish Act on Certain Types of Financial Collaterals	Polish Act on Certain Types of Financial Collaterals dated 2 April 2004 (as amended)
Polish Act on Trading in Financial Instruments	Polish Act on Trading in Financial Instruments dated 29 July 2005 (as amended)
Polish Investment Funds Act	Polish Act on Investment Funds dated 27 May 2004 (as amended)
Polish Public Offerings Act	Polish Act dated 23 July 2005 on Public Offering, Conditions Governing the Introduction of financial instruments to Organised Trading and on Public Companies (as amended)
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)
Primary Shares	Up to 3,000,000 new shares to be issued by the Company and offered in the Offering
Principal Shareholder	Mr Qiulin Xie
Prospectus	this document
Prospectus Directive	the EU Prospectus Directive (2003/71/EC)
QIB	a qualified institutional buyer within the meaning of Rule 144A
Quanzhou Baixin	Quanzhou Baixin Machinery Manufacturing Industrial Co., Ltd
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 Offer Shares
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
Secondary Shares	Up to 600,000 Existing Shares to be sold by the Selling Shareholder in the Offering
Selling Shareholder	Jinyuan Investment Holdings Ltd., a company incorporated under the laws of the British Virgin Islands, having its registered office at Trinity Chambers, P.O. Box 4301, Road Town, Tortola, British Virgin Islands

	and registered under BVI company number 1754678, wholly owned by Meiqing Lee.
Shareholders	shareholders in the Company
SEC	the United States Securities and Exchange Commission
Shares	the Existing Shares and the Primary Shares
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

The following financial documents have been incorporated by reference in this Prospectus:

- the English-language audited consolidated financial statements of the Group for the financial year ended 31 December 2013, together with the independent auditor's report dated 10 March 2014, included on pages 60 to 115 of the Company's annual report for the financial year ended 31 December 2013;

- the English-language audited consolidated financial statements of the Group for the financial years ended 31 December 2011 and 31 December 2012 (included in the English-language consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011 and 31 December 2012) together with the independent auditor's report dated 17 April 2013, included on pages F - 0 to F 43 of the Company's prospectus dated 17 September 2013;

- the English-language unaudited consolidated financial statements of the Group for the three months period ended 31 March 2014, together with the independent auditor's review report dated 15 May 2014, included in the Company's quarterly report for the period of three months ended 31 March 2014.

Copies of these documents can be obtained in electronic form from the Company's website at www.peixin.com.

REGISTERED OFFICE OF THE COMPANY
Peixin International Group N.V.
Prins Bernhardplein 200
1097 JB Amsterdam
The Netherlands

LEAD MANAGER SOLE BOOKRUNNER AND OFFERING AGENT

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna
Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie
ul. Puławska 15
02-515 Warsaw
Poland

FINANCIAL ADVISOR

CC Group sp. z o.o.
ul. Zielna 41/43
00-108 Warsaw
Poland

LEGAL ADVISERS

To the Company as to Polish law
Allen & Overy, A. Pędzich sp.k.
Rondo ONZ 1
00-124 Warsaw
Poland

To the Company as to Dutch law
Allen & Overy LLP
Apollolaan 15
1077 AB Amsterdam
Netherlands

To the Company as to PRC law

Trend Law Firm
Unit 13A-C, World Plaza
No.855 South Pudong Road
Shanghai 200120
P.R.China

To the Lead Manager as to Polish law

Weil, Gotshal & Manges
– Paweł Rymarz Sp. k.
ul. Emilii Plater 53
00-113 Warsaw
Poland

To the Lead Manager as to English law

Weil, Gotshal & Manges
110 Fetter Lane
London, EC4A 1AY
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AUDITOR

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Krijgsman 9
1186 DM Amstelveen
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