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

for the year ended

31 December 2014

Contents

CEO letter to the Shareholders

Dear Shareholders

On behalf of the Management Board, I have the pleasure to present the annual report of PEIXIN International Group N.V. for the year 2014. I am pleased that the previous year was the continuation of the systematic development of the Company and improvement of its financial results.

In 2014 revenue grew by ca. 17% compared to 2013 and amounted to ca. 70 million EUR, whereas net profit increased by ca. 7% and amounted in the past year ca. 17 million EUR. During 2014 the Company enhanced significant growth of the revenue in particular in the diaper machines segment - increased by over 27% yoy. Visible growth of the revenue was also noted in the another crucial segments. The Company consequentially increased number of units sold by ca. 22% yoy, selling in the past year over 820 units.

When it comes to geographical breakdown, during 2014 PEIXIN increased number of units sold outside China by over 25% yoy, what was the result of the promotional efforts such as targeted advertising and participation in exhibitions. Simultaneously number of units sold Mainland China grew by ca. 15%. We believe that presented financial results of the Company for the previous year can be a good prediction for the future.

The financial results achieved in 2014, as well as the current business activity of the Company have once again proved that we regularly improve the Group's position in relation to our competitors.

In the context of our international activity, I am pleased with the conclusion of the marketing, development and collaboration agreement with the Automated Systems of Tacoma /AST/ (USA) – one of the leading technology manufactures in term of the hygiene product machines. I believe that strategic partnership with AST will lead to further technological enhancement of our products, as well as it will assure proper use of PEIXIN’s growing capacity and strengthen global presence of both parties. The upgrade of the machines upon cooperation with AST, hopefully will lead to more market chances and development opportunities.

I am also pleased that according to the dividend policy in 2014 the Company realized its promises and paid dividend to its shareholders from the profit achieved in 2013. The Management Board recommended to the Annual General Meeting making distribution of 10% of the consolidated net profit for 2013 to its shareholders. Every shareholder that held shares of the Company on 6 May 2014 was entitled to receive a dividend in gross amount of PLN 0.5029 per share (equal to EUR 0.12). Simultaneously the dividend policy of the Company stipulates to pay 10-30% of consolidated profits for years 2014-2015.

At this stage I wish to express many thanks to all Company’s Shareholders for their trust. I would also express many thanks to all Group’s employees for their engagement in the development of the PEIXN’s value. I believe that satisfied financial results of the PEIXIN in the context of the Chines economy in 2014 will cause additional interest of the Company from the investors point of view.

Yours Sincerely

Qiulin Xie

CEO, PEIXIN International Group N.V.

PEIXIN INTERNATIONAL GROUP N.V.

The Management Board Report for 2014

1. Report on operations for the year 2014

1.1 General information about the Group

1.1.1 *The Group structure*

As of the reporting date i.e. 31 December 2014 the Group was comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries. The Peixin International Group N.V. is the sole shareholder of Peixin International BVI, whereas Peixin International BVI (Peixin International Group Ltd.) is a sole shareholder of three subsidiaries: Fujian Peixin Machine Manufacture Industry Co. Ltd., Quanzhou Peixin Machine Manufacture Industry Co. Ltd. and Baixin Industry Co. Ltd.

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

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

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

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

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

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

Pictures above present insight into assembling workshop in Fujian

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

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

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

The effect of changes in the composition of the Group during 2014 on comparative data disclosure

During 2014 Baixin Industry has been established in connection with purchase of a land and plant construction in Yongchun county as well as future operations in the mentioned plant. Due to the legal requirements the Company was required to establish a new entity to operate factory located in another city.

1.1.2 *Business and products description*

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

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

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

Diaper machines segment:

Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line

Full-servo control full-function baby diaper line

Full-servo Control Pull-up Panty Production Line

Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line

Sanitary napkin machines segment:

Automatic Folding Napkin Paper Machine

Semi-automatic Sanitary Napkin Production Line

Tissue machine segment:

Semi-servo Pets Pad Line

As of the 31 December 2014, the Group offered over 40 models of machines. The main models are the Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line, Full-servo Control Pull-up Panty Production Line and Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line respectively, which represent the new progress direction of the hygiene technology.

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

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

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

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

Calendar year 2014 was another period of steady growth in selling of the Company’s products. In 2014, revenues increased by EUR 9,842 thousand or 16.57%, from EUR 59,407 thousand for the year ended on 31

December 2013 to EUR 69,249 thousand for year ended on 31 December 2014. Increase of the revenues is visible in all product categories. Simultaneously number of the units sold in 2014 increased by 147 compared to 2013. The Company received significant growth of the revenue in particular in diaper machines segment. Revenues in this segment increased by 27.2 % compared to 2014. Substantial increase of the revenue is also visible in the other paper machines segment. Compared to 2014 revenue in this segment in 2015 enhanced by 40.1 %.

1.1.3 *Market overview*

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

Although Chinese economy grew at its slowest pace in 2014 (Gross domestic product (GDP) expanded 7.4 percent from 7.7 percent in 2013), the Group were able to increase revenues for 2014 by ca. 16% compared to 2013. Also net profit for 2014 increased by ca. 7% compared to past year.

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

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

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

1.2 Selected financial data

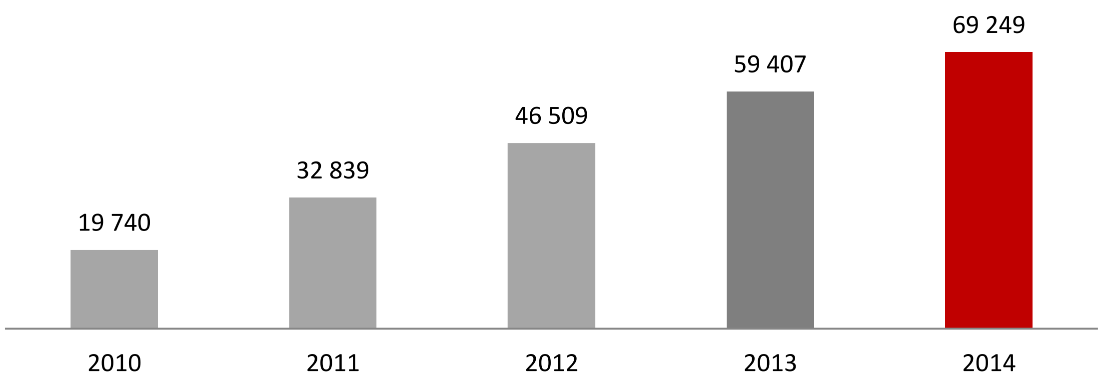
'000 EUR	**2013**	**2014**
revenues	59,407	69,249
gross profit	22,322	25,801
operating profit	18,633	19,875
EBITDA	20,221	22,060
profit before tax	18,527	19,692
net profit	15,772	16,823
cash flow from operating activities	11,863	14,455
cash flow from investing activities	(9,701)	(14,826)
cash flow from financing activities	(1,314)	(1,851)
net increase in cash and cash equivalents	548	1,167

'000 EUR	**31 Dec 2013**	**30 Sept 2014**	**31 Dec 2014**
non-current assets	19,909	32,040	35,647
current assets	30,162	37,211	35,892
total assets	50,071	69,251	71,539
long-term liabilities	-	-	-
short-term liabilities	7,835	11,961	7,757
total equity	42,236	57,290	63,782
paid-in capital	13,000	13,000	13,000

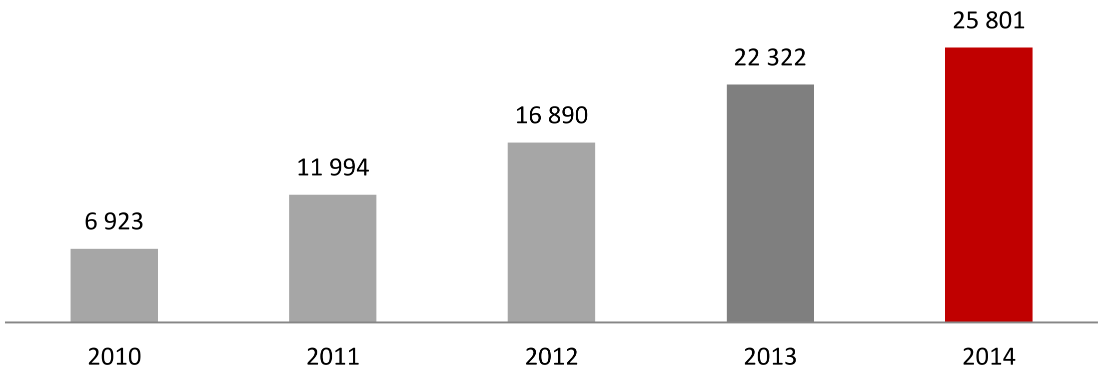
1.3 Operating and financial review

1.3.1 *Key financial charts*

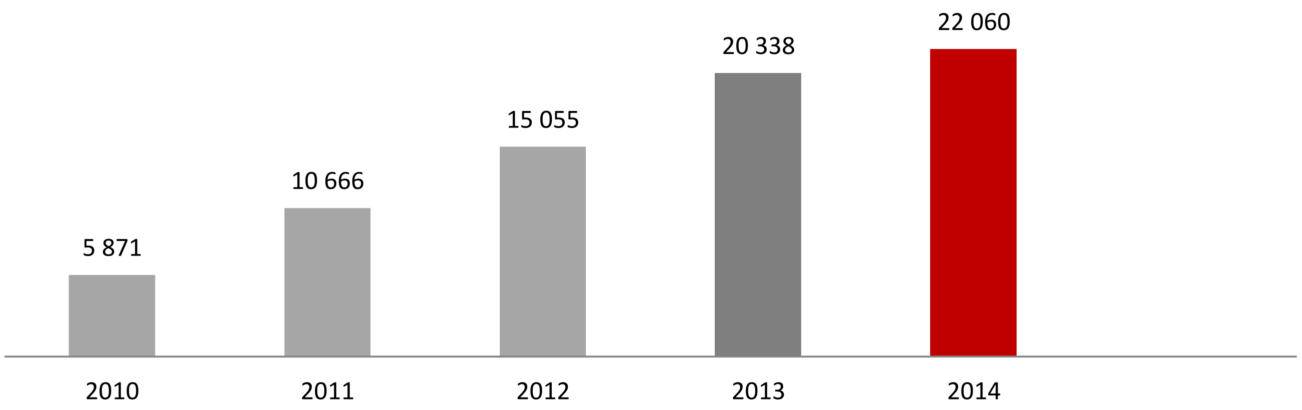
Sales '000 EUR



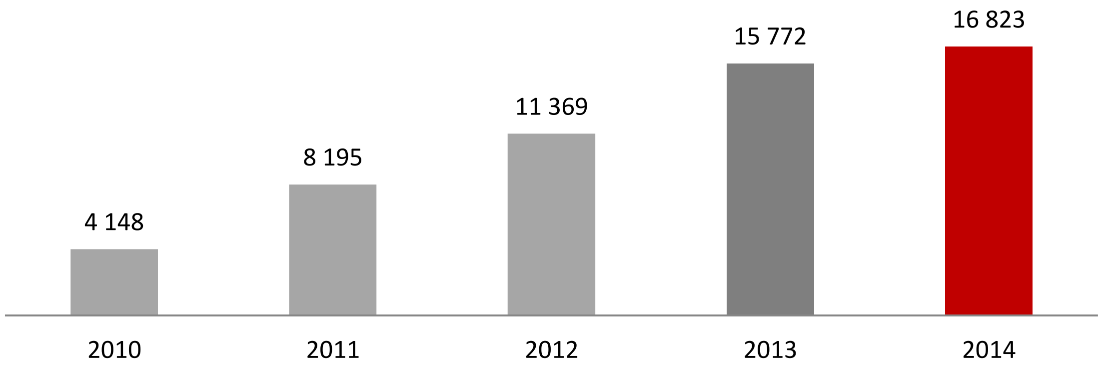
Gross Profit '000 EUR



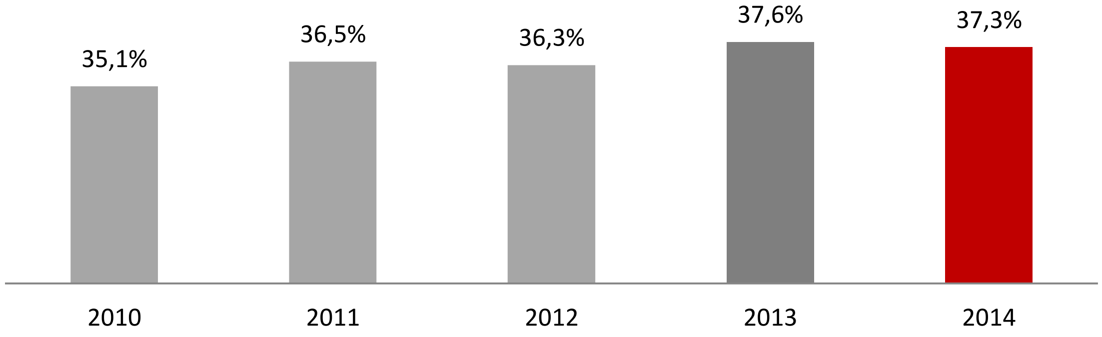
EBITDA '000 EUR



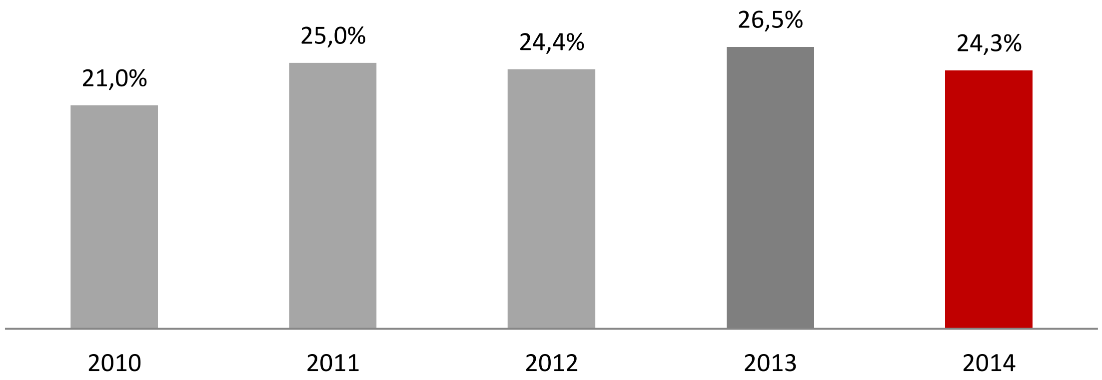
Net profit '000 EUR



Gross Profit Margin %



Net Margin %



1.3.2 *Profit & loss account*

1.3.2.1 Revenues

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

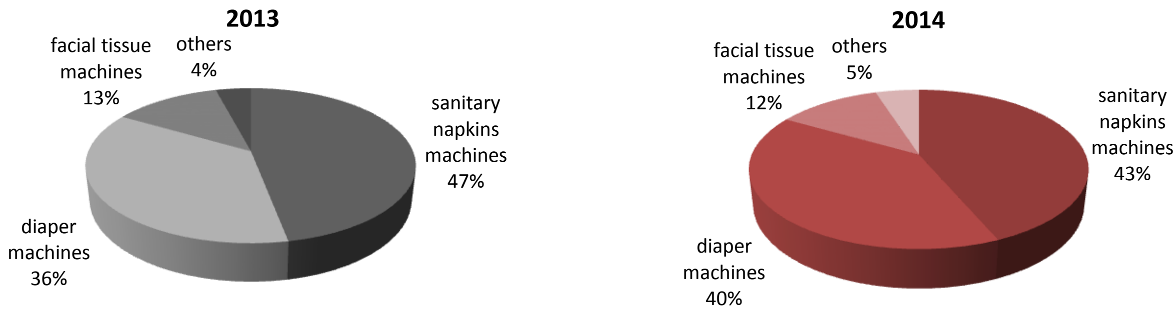
Revenues increased by EUR 9,842 thousand or 16.57%, from EUR 59,407 thousand for the year ended on 31 December 2013 to EUR 69,249 thousand for year ended on 31 December 2014. The increase of revenues was mainly the result of an increase of sales and number of units sold, especially units which were more technologically advanced such as full servo machines. Moreover, the Group slightly increased the price for some models of sanitary napkins machines based on the contribution of new technologies.

Revenues breakdown by segments

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

	2013		2014		Change in revenues
	Unit	'000 EUR	Unit	'000 EUR	%
Sanitary napkins machines	81	27,916	77	30,175	8.1
Diaper machines	49	21,627	61	27,503	27.2
Facial tissue machines	459	7,420	590	8,148	9.8
Other paper machines	85	2,444	93	3,423	40.1
Total	**674**	**59,407**	**821**	**69,249**	**16.6**

Sales breakdown by segments for year 2013 and 2014 is presented on charts below.



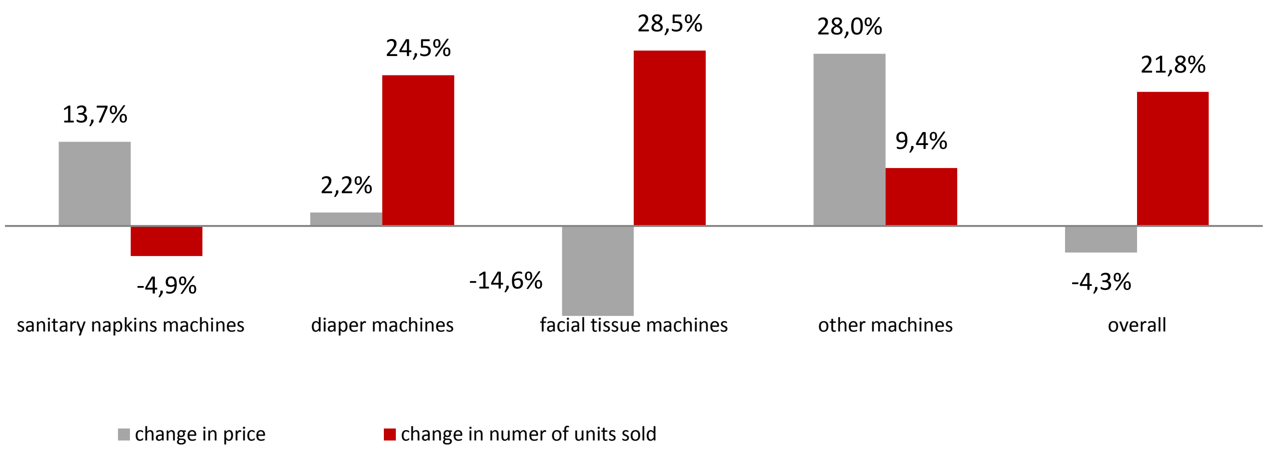
The Group experienced growth of revenues in sanitary napkins machines segment, mainly as a result of increase of sales of full servo machines in this segment. Sanitary napkins machines produced by the Company are believed to be of high quality and competitive technology, therefore both domestic and international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

The Group also experienced the growth in diaper machines segment (ca. 24% in number of units) mainly driven by full servo machines sold in this segment. Leading position of the Company in providing high-tech diaper machines continue to lure the customers. The products within a segment differ from one another in terms of technology used. Moreover, all of them are tailor-made and therefore the price is set based on customization. The slight change in average price (2.15%) was a result of change in product mix – the Company sold more machines of slightly higher per-unit value than a year before. However change in product mix impact slightly lower average margins generated on the segment.

In other paper machines segment the Company recognized significant growth in number of machines sold. In 2013-2014 the Company sold 12 high-tech pad machines of significant per-unit value as well as many complimentary machines (add-ons) of higher per-unit value. Increase in average price in 2014 result from the fact that the production mix was shifted more towards lager machines and add-ons (such as stacker, bagger, etc.) which are of high per-unit value. The revenue generated in this segment is mainly driven by production volume in other segments and is not the core business of the Company.

The Group recognized growth in number of the facial tissue machine segment (ca. 29% in number of units) however decrease in average machine price.

The chart below presents factors influencing sales in 2014 in relation to 2013 accomplished in segments of the Company's products.



Sales geographic breakdown

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

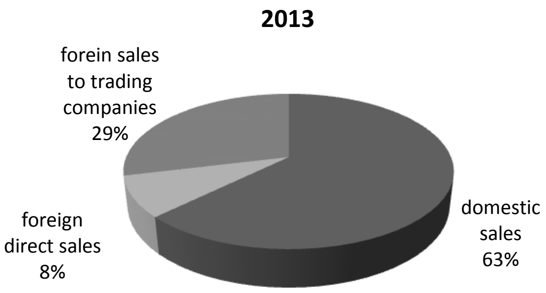
Over year 2014 the Group's growth in revenues was mainly generated on domestic market following trends of increasing internal consumption resulting in increase in manufacturing industry and government supportive approach towards the industrials. Simultaneously, the Group's overseas marketing team dynamically maintains the strong relations with the international clients and develops business directly in the overseas market.

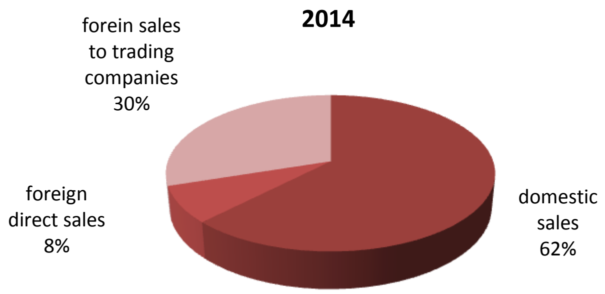
The following table presents the Group's revenues broken down by geographical split for year 2013 and 2014.

	2013	**2014**	**Change**
Revenue:	**'000 EUR**	**'000 EUR**	**%**
Direct sales			
- Mainland China	37,247	43,207	16.0
- Outside Mainland China	5,050	5,284	4.6
Sales to trading companies	17,110	20,758	21.3
Total	**59,407**	**69,249**	**16.6**

	2013	2014	Change
Number of units sold:			
Direct sales			
- Mainland China	428	493	65
- Outside Mainland China	46	69	23
Sales to trading companies	200	259	59
Total	**674**	**821**	**147**

Sales geographic breakdown for the year 2013 and 2014 is presented on charts below.





The increase of direct sales in mainland China by ca EUR 5,960 thousands was a result of increased sales of more sophisticated machines, especially full servo sanitary napkins machines and diapers machines. Observed increase in internal consumption for this products relatively promotes domestic market.

Due to the higher sales through trading companies (increase of revenues by 3,648 thousands) the Company experienced visible development on the overseas markets. In consequence of stronger increase of total number of machines sold through this distribution channel compared to 2013, the Company enjoyed significant increase of the revenue from this segment by 21.3%.

In terms of sales to trading agencies, the Company continues to remain this trading channel, however would not like to rely on it strongly, focusing on further development of direct international sales channel. The Company use indirect distribution channels to reach countries which are less prospective or where making business through distributors is more convenient (from political and business reasons), e.g. Afghanistan or Syria. In the most prospective ones, Peixin prefers to operate directly. Executing its strategy, the Company managed to sell directly more technologically advanced machines of high per-unit price by establishment of the international branch in Ankara, Turkey (the branch is operating since early 2014). Direct sales outside China increased slightly by ca. 5%.

Therefore in 2014, sales generated by trading agencies grew in terms of volume. Most sophisticated machines (of high per unit value) were sold directly by Peixin to most prospective countries. Slight drop in average price may be explained by the fact that most foreign distributors sell machines to buyers who cannot afford for the high-end products.

1.3.2.2 Cost of Goods Sold

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

	2013	2014	Change
	'000 EUR	**'000 EUR**	**%**
Changes in inventories of finished goods and work in progress	(1,122)	(1,080)	-3.7%
Materials consumed in production	31,279	35,835	14.6%
- Glue machines and motors	11,875	11,702	-1.5%
- Steel	5,303	8,520	60.7%
- Electric controllers	5,816	6,167	6.0%
- Knife roller\cylinder	1,196	1,369	14.5%
- Other components	5,765	6,603	14.5%
- Auxiliary materials	1,324	1,474	11.3%
Labor	3,351	3,738	11.5%
Depreciation and amortization	1,165	1,340	15.0%
Outsourced manufacturing cost	1,307	1,452	11.1%
Taxes and surcharges *	547	598	9.3%
Water and electricity	495	523	5.7%
Others	131	397	203.1%
Foreign currency translation difference	(68)	645	-1048.5%
Total	37,085	43,448	17.2%

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

The cost of sales (the cost of production reconciled by changes in inventories of finished goods and work in progress and foreign currency translation differences) amounted to EUR 37,085 thousand in year 2013 and increased up to EUR 43,448 in year 2014. Material consumed in production increased by EUR 4,556 thousand or 14.57% in year 2014 compared to 2013, whereas the cost of sales in 2014 increased by 17.16% as compared to the same period of 2013. The growth of the costs of the production, for the period was mainly the result of increase in material consumed in production, mainly steel which are required for production of the sanitary and diaper machines. Cost of the steel increased by over 60%, mostly because of some models which were developed in 2014, such as Full-servo Control Elastic Laminited Waistband Baby Diaper Production Line, etc. which demand more steel.

Within the production costs, costs of glue machines and motor decreased slightly due to changes in Company's overall production mix shifting towards lesser complex machines such as sanitary napkins machines (using more steel but not so much these parts). The materials such as knife roller\cylinder, other components, auxiliary materials, were used proportionately in almost all of the products, which explains the increase of this position.

1.3.2.3 Gross profit

Gross profit increased by EUR 3,479 thousand or 15.6%, from EUR 22,322 thousand in year 2013 to EUR 25,801 thousand in 2014.

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

	2013	**2014**	**Change**
Segment gross profit	**'000 EUR**	**'000 EUR**	**%**
Sanitary napkins machines	10,589	11,413	7.8
Diaper machines	8,333	10,394	24.7
Facial tissue machines	2,629	2,833	7.8
Other paper machines	771	1,161	50.6
Total	22,322	25,801	15.6

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

	2013	**2014**	**Change**
Segment gross margin	**%**	**%**	**p.p.**
Sanitary napkins machines	37.9	37.8	-0.1
Diaper machines	38.5	37.8	-0.7
Facial tissue machines	35.4	34.8	-0.6
Other paper machines	31.6	33.9	+2.3
Total gross margin	37.6	37.3	-0.3

Regardless of the increase of the gross profit, achieved thanks to the higher average prices of the machines, which were possible to be achieved due to Company's constant development in terms of quality and technology, total gross margin decreased slightly by 0.3 pp. compared to 2013, in particular due to the fact that the Company manufactured and sold more technologically advanced products with some prototype elements and higher production costs owing to more components and materials used. However the Company managed to maintain satisfactory high gross margins in sanitary napkin machine and diaper machine segments, both reaching almost 38%. The gross margins in diaper machines and facial machines segment were slightly pulled down as a result of bigger number of unit sold in these segments with lower price.

The Company managed to increase in 2014 its gross margin in other papers machines segment by 2.3% due to the new sales of the fruit pad machines with higher margin In 2014, eight fruit pad machines were sold. Other paper machines segment is a non-core segment. Profit generated in this segment amounted to less than 5% of total gross profit generated by the Company.

1.3.2.4 Other income/expenses

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

	2013	2014	Change
	'000 EUR	**'000 EUR**	**%**
Government grant	7	88	1157.1
Rental income	36	37	2.8
Sales of spare parts	229	43	(81.2)
Total	272	168	(38.2)

In 2013 comparing to 2014, the Company generated significantly higher profit from sales of spare parts, which in total amounted to almost 60% of other income. For several years the Company has been increasing the portion of high-tech machines sold. Additional spare parts to these machines are more expensive, what was visible in 2013 other income. In the year 2014, the decease of other income was according to customers' demand. In 2014, the Company acquired Transition and Upgrading support programs fund from Quanzhou bureau of finance, which account for 52.38% of other income. Increase of the government grant income position is a result of the government policy rewording companies investing in R&D. The Company, as a high-tech enterprise in 2014 increased investment in R&D more than in 2013 and this position reflects this trend.

1.3.2.5 Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	2013	2014	Change
	'000 EUR	**'000 EUR**	**%**
Staff costs	530	621	17.2
Marketing and advertising costs	257	466	81.3
Post-sales services costs	164	293	78.7
Traveling costs	60	73	21.7
Depreciation	6	5	-16.7
Agency cost	-	104	
Others	104	110	5.8
Total	1,121	1,672	49.2

Marketing and advertising costs

Increase in distribution and selling expanses is mostly visible at marketing and advertising cots which reflects higher investment in market promotion, such as attendance at the overseas exhibitions, that is in line with the Company's strategy to further increase of direct sales.

Staff costs

Staff costs constituted 47.28% of the Group's distribution and selling expenses for year 2013 and 37.19% for the year 2014. Staff costs increased by EUR 91 thousand, or 17.17%, from EUR 530 thousand in year 2013 to EUR 621 thousand in 2014 mainly as a result of the increased sales commission based remuneration of selling staff.

Post-sales services costs

Post-sales services costs increased by EUR 129 thousand, or 78.66%, from EUR 164 thousand in year 2013 to EUR 293 thousand in 2014 mainly as a result of increased of spare parts cost which the group provided more service for its products to the clients during the warranty period.

1.3.2.6 Administrative expenses

Administrative expenses increased by EUR 585 thousand or 41.6%, from EUR 1,406 thousand in year 2013 to EUR 1,991 thousand in 2014. The following table presents the Group's administrative expenses broken down into categories.

	2013	2014	Change
	'000 EUR	**'000 EUR**	**%**
Staff costs	399	437	9.5
Depreciation and amortization charges	362	353	(2.5)
Entertainment and office expenses	242	222	(8.3)
Miscellaneous taxes	171	288	68.4
Travelling and transportation expenses	166	169	1.8
Professional service fee	-	385	100.0
Others	66	137	107.6
Total	**1,406**	**1,991**	**41.6**

Administrative expenses in 2014 increased mostly because of professional service fees concerning the Company's initial public offering – invoices issued in the past year was recognized and paid in 2014.

1.3.2.7 Research and Development Expenses

Research and development expenses increased by EUR 997 thousand or 69.5%, from EUR 1,434 thousand in year 2013 to EUR 2,431 thousand in 2014 mainly as a result of more input for the R&D projects (mainly materials) comparing to the same period of the last year.

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

	2013	2014	Change
	'000 EUR	**'000 EUR**	**%**
Materials	849	1,405	65.5
Staff costs	448	616	37.5
Depreciation charges	131	405	209.2
Outsourced R&D	6	5	(16.7)
Total	1,434	2,431	69.5

1.3.3 *Balance sheet*

1.3.3.1 Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 4,319 thousand, or by 31.7%, from EUR 13,622 thousand as at 31 December 2013 to EUR 17,941 thousand as of the same period in 2014. The increase is related to purchase of new machinery, assumed in the investment plan.

Prepaid lease payments

In 2014 the Company made prepayment for land use right of EUR 10,369 thousand. The prepayment is according to the investment plan assumed by the Company in 2014.

1.3.3.2 Current assets

Inventories

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

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

	2013	**2014**	**Change**
	‘000 EUR	**‘000 EUR**	**%**
Raw materials and consumables	3,269	3,413	4.4
Work in progress	4,043	5,416	30.0
Finished goods	641	348	(45.7)
Total	**7,953**	**9,177**	**15.4**

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

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

	2013	2014	Change
	‘000 EUR	**‘000 EUR**	**%**
Glue machines and motors	11,875	11,702	-1.5%
Steel	5,303	8,520	60.7%
Electronic controllers	5,816	6,167	6.0%
Knife roller/cylinder	1,196	1,369	14.5%
Other components	5,765	6,603	14.5%
Auxiliary materials	1,324	1,474	11.3%
Total	**31,279**	**35,835**	**14,6**

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

Trade and other receivables

Trade and other receivables increased by EUR 3,336 thousand, from EUR 10,204 thousand as of 31 December 2013 to EUR 13,540 thousand as of 31 December 2014.

The increase of the trade and other receivables, comparing to the previous year, was mainly the result of dynamic growth of sales throughout the year 2014. On top of that Group extended payment terms for selected customers (including through extended payment periods). It was offered to its main customers in China, in particular to those with whom the Group had a long-lasting commercial relationship and who were in the process of consolidation and might create significant bigger demand for Group’s machines afterwards. The turn over days increased from 38 days in the year of 2014 to 57 days in the year of 2014. As of December 31,2014 there were no trade receivables that were past due or impaired.

Bank balances and cash

Bank balances and cash increased by EUR 1,167 thousand or 9.7%, from EUR 11,983 thousand as of 31 December 2013 to EUR 13,150 thousand as of 31 December 2014.

1.3.3.3 Current liabilities

Trade and other payables

Trade and other payables consist of amounts payable to suppliers for the purchase of raw materials and products. Trade and other payables increased by EUR 929 thousand or 29.4 %, from EUR 3,159 thousand as of 31 December 2013 to EUR 4,088 thousand as of 31 December 2014. The increase was mainly the result of significant purchases of raw materials and components necessary for the completion of the orders.

Indebtedness

The Company doesn’t have any long term debt and short term debt as of 31 December 2014.

The Company has fully repaid its short term debt due in 4Q 2014 and renewed it in the comparable amount in early 2015.

<u>*Advance from customers*</u>

Advance from customers decreased by EUR 1,370 thousand or 37.5%, from EUR 3,653 thousand as of 31 December 2013 to EUR 2,283 thousand as of 31 December 2014. The increase was mainly the result of the Group receiving an increased number of orders from clients.

1.3.3.4 Non-current liability

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

1.3.3.5 Capital and reserves.

Capital and reserves increased by EUR 21,546 thousand or 51.0%, from EUR 42,236 thousand as of 31 December 2013 to EUR 63,782 thousand as of 31 December 2014.

1.3.4 *Cash flow*

	2013	**2014**
	'000 EUR	**'000 EUR**
net cash from operating activities	11,863	14,455
net cash from investing activities	(9,701)	(14,826)
net cash from financing activities	(1,314)	(1,851)
net movement in cash and cash equivalents	**848**	**(2,222)**
- exchange difference	(300)	3,389
cash at the beginning of the period	**11,435**	**11,983**
cash at the end of the period	**11,983**	**13,150**

In year 2014 the Group generated EUR 14,455 thousand from operating activities thanks to profit. The amount is higher than presented in 2013 mainly due to more favourable receivables generated from customers which altogether influenced Company's working capital.

Company invested EUR 14,826 thousand throughout 2014 mainly in purchase of property, plant and equipment as well as land use right. Company investments are in line with intended investment plan.

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

As a result of operating, investing and financing activities, the Company reported net cash movement of EUR (2,222) thousand.

1.4 Key factors affecting operating and financial results

1.4.1 *Unusual items, one-off events*

Over the year of 2014 there were no unusual items ore one-off events which affected the Group's operating and financial results.

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

Over the year of 2014, no important events or transactions took place that are significant for the financial position of the Group.

1.4.3 *Seasonality*

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

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

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

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

The Company did not publish any estimates of amounts for 2014.

1.5 Risk factors

1.5.1 Risk Profile

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.5.2 Internal risk management and control systems for the main risks

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

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

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

1.6 Strategy

The Group's objective remains in a line with goals assumed in the previous years: 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 execute the following goals:

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

- Establish international branches in the world’s developing regions (South Africa and Oceania), and some already-developed markets (Turkey, Central and Eastern Europe).

- Strengthen brand recognition.

- Further focus on R&D and quality enhancement, such as new generation of baby diaper machines.

- Further increase of the production capacity.

- Labor training and reserving for the coming production extension.

In 2014 the Company specified objectives concerning foreign expansion through conclusion of the Marketing, Development and Collaboration Agreement with AST. By establishing of this strategic partnership Peixin and AST share technology and co-market a co-owned portfolio of machines to the global market. The parties also combine their engineering and manufacturing and capabilities to develop a new line of machines designed to offer the highest performance at the best price available in the industry. At the present stage of cooperation AST cooperates with the Company over new generation of baby diaper machine line as well as supports Peixin's exhibitions (i.a. in Genewa, Chengdu, Dubai – such cooperation at exhibitions gets more attention from the potential buyers). Furthermore in the opinion of the Company conclusion of the R&D Agreement will lead to further technological enhancement of the products, as well as it will assure proper use of Peixin's growing capacity and strengthen global presence of both Parties. Cooperation with AST is aimed at upgrading quality and efficiency of machines from tier 3 to tier 2 (higher speed, lower waste and lower production downtime ratio). The noticeable results of the cooperation with AST are contingent on completion of the investment plan. The Company expects, that orders being the result of this cooperation will be coming this year. Detailed information on the Marketing, Development and Collaboration Agreement was disclosed in the current report No 16/2014. Moreover the Company uses the business network established by distributors. Especially in some remote areas direct presence and establishment of business relations may need time, therefore it is more reasonable to use indirect distribution channel. In 2014 the Company gains new agents with good resume who have long and good relationship with clients, are familiar about the end users from North Korea and Iran. It is worth to mention that among other activities, supported by AST's cooperation, the Company launched an advertising at Indian market as well as Peixin made some ad's at the one of industrial magazines.

Developing its strategy the Company's increased employment in production, R&D and trade departments by total number of 53 employees. Increase of employment was visible in all departments besides management and administration.

1.7 Significant investment CAPEX

On 25 May 2014, the Company decided to adopt an investment plan (disclosed by the Company in the current report No 12/2014). As at the date of publication of this report the Company is determined to pursue the presented investment plan, however mostly due to slower than expected process of applying for building permissions and other independent from the Company administrative law procedures, the Company assumes that investments schedule, especially the first stage of it, may change. As the Company informed in current report No 11/2014 on Agreement on a land use right customary in China, especially in case of long time perspective and due to changing business environment, some clauses of such kind of agreements could be subject to adjustments and further negotiations. Taking under consideration mentioned above reasons as well as obligations raised on the basis of Agreement on a land use right the Company commenced the negotiation with the Government concerning purchase of the plot of land, especially in order to change terms of investment execution schedule. So far the Company had moved over one step out of three required to gain construction permit – the local authority granted it consent. The next step will be environmental permission issued by the local government. At the next stage province authorities will issue the final construction permit. In 2014 the Company already commenced some initial construction works of the new factory facilities, however by virtue of law requirements the Company has to verify further investment expenditures. Independently from factors described above as at the date of publication of this report, the Company is in the process of determining the execution of investment plan by a prism of availability of financing sources.

1.8 Dividend policy

Since PEIXIN International Group N.V. was incorporated on 2 July 2013, the Group has paid dividend to its shareholders only once – for the net profits of 2013. On the other hand Peixin International BVI (see point 1.1.1 The Group Structure) paid dividends from the its net profits of in 2009, 2010 and 2011 of EUR 1,124,000, EUR 3,207,000 and EUR 6,267,000 respectively. In connection with an update of investment plan disclosed in current report No. 12/2014, on 25 May 2014, the Company decided to adjust its foregoing dividend policy, particularly increasing payout ratio after the year 2016.

Distribution percentage shall increase in time, as the Company currently executes significant investment plan. Adopted dividend policy assumes to pay future dividends in the following manner:

- 10-30% of consolidated profits for years 2014-2015 – in those year the Company shall pursue with execution of its investment plan, therefore final percentage of dividend distribution should depend on pace of investment process, size of external financing acquired and amount of internally generated funds,

- 30-50% of consolidated profits for year 2016,

- 50-70% of the consolidated profits for years after 2016 – upon completion of investment plan the internally generated sources should be sufficient enough to both finance any further investment needs (if required).

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

Good financial performance in 2013 allows the Company to maintain strategic commitment for the dividend policy. For this purpose on 13 March 2014 the Management Board of the Company adopted a resolution on the intention to recommend to the Annual General Meeting to distribute at the expense of the Company's distributable consolidated net profit in the amount of EUR 1,560,000 in the aggregate, being an amount of EUR 0,12 per share. At the same day the Supervisory Board of the Company have approved the proposal of the Management Board.

Simultaneously the Annual General Meeting convoked for 24 April 2014 decided that the part of the net profit generated by the Company in financial year 2013 in amount of EUR 1,560,000 will be distributed to its shareholders as a dividend in cash. Annual General Meeting set the dividend day on 6 May 2014 and the dividend payment day on 16 May 2014.

1.9 Shareholders and shares

1.9.1 *Share capital structure*

As of 31 December 2014 the Company's share capital consisted of 13,000,000 ordinary shares with a nominal value of EUR 1 each.

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

1.9.2 *Major shareholders and shares*

As of 31 December 2014 the Company's shareholding structure was as follows:

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

During 2014 the following change occurred in the Company's shareholders' structure: as a result of execution of the contribution agreement drawn up on 30 April 2014 with authenticated date concerning transfer of 10,500,000 shares of the Company from Mr Qiulin Xie to his direct subsidiary i.e. P.I. Investment Limited – a limited liability company registered and incorporated in Malta. Consequently direct stake in the Company held by Mr Qiulin Xie decreased on 6 May 2014 to 0 shares. Mr Qiulin Xie holds 100% of the voting rights in P.I. Investment Limited, therefore the Company remains indirectly controlled by Mr Qiulin Xie.

1.9.3 *Issue of new shares*

The Company's share capital comprises 13,000,000 shares with a nominal value of EUR 1 each. The Annual General Meeting held on 24 April 2014 approved a capital increase up to a maximum of 4,000,000 new ordinary shares. Moreover on 11 June 2014 the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten)* approved the Company's Prospectus prepared for the purpose of offering by the Company of up to 3,000,000 newly issued bearer shares and the offering by Jinyuan Investment Holdings Ltd. of up to 600,000 existing bearer shares of the nominal value of EUR 1, totalling up to 3,600,000 shares with a maximum offer price set at PLN 19 per share, and the admission to trading on the Warsaw Stock Exchange of up to 3,000,000 newly issued shares. The Prospectus was also passported to the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego).

However, due to unfavorable market conditions, on 18 June 2014 the Company in agreement with the Lead Manager decided to cancel the Offering.

Consequently Company didn't issue any new shares in 2014.

1.9.4 *Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2014 and until the date of publication of the report*

As of 31 December 2014 the only Management Board member who held the shares in the capital of the Company was Mr Qiulin Xie, the Company's CEO who held 10,500,000 shares and holds the same number of shares as of the date of publication of this annual report. Mr Qiulin Xie didn't hold as of 31 December 2014 and doesn't hold as of the date of publishing of this annual report any rights to shares in the capital of the Company. As the result of the public offering (allotment date on 1 October 2013) the ownership of Mr Qiulin Xie was diluted from 87.5% down to 80.77% in the Company's share capital.

At the date of 31 December 2014 and until the date of publication of hereby report, to the best of the Company's knowledge none of the Management Board members, other than Mr. Xie, held Company's shares or rights to shares. Changes in ownership of shares by Mr. Xie was described in point *1.9.2 Major shareholders and shares.*

1.9.5 *Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2014 and until the date of publication of the report*

At the date of 31 December 2014 and until the date of publication of hereby report, to the best of the Company’s knowledge none of the Supervisory Board members holds shares or rights to shares in the capital of the Company.

1.9.6 *Special rights to control over the Company*

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

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

PEIXIN’s shares debuted on the Warsaw Stock Exchange on the 9 October 2013. Number of registered shares and admitted to trading on the official stock-exchange listing market amounts to 13,000,000

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

Over 2014 PEIXIN stock was traded in the range of 22.25 – 7.77 PLN intraday.

stock/index	value/price as of 2 January 2014	period high /at closing/	period low /at closing/	value/price as of 30 December 2014
PEIXIN	22,25 PLN	22,25 PLN	7,4 PLN	7,77 PLN
WIG	51 865,89 pts.	55 636,77 pts.	49 520,84 pts.	51 416,08 pts.
WIG20	2 430,72 pts.	2 551,47 pts.	2 271,27 pts.	2 315,94 pts.
WIG30	2 569,68 pts.	2 730 pts.	2 449,82 pts	2 487,52 pts.

1.10 Corporate bodies

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

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

1.10.1 *Management Board*

As of 31 December 2014 the Management Board was composed of the following members:

Name	Age	Position	Member since	Term	End of term
Qiulin Xie	55	Chairman	2 July 2013	4 years	the date of the annual General Meeting in 2017
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

On 12 March 2015 Ms. Hongyan Dai submitted resignation from holding both the function of the Chief Financial Officer and the Member of the Company's Management Board. The resignation becomes effective as of 12 March 2015. Ms. Hongyan has been holding her function since 9 September 2013. Ms. Hongyan Dai indicated the personal health issue as the reason for resignation. Information on the resignation of Ms. Hongyan Dai was disclosed in the current report 3/2015.

1.10.2 *Supervisory Board*

As of 30 September 2014 the Supervisory Board was 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
Jaroslaw Dariusz Dabrowski	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

After the end of the period, the Company received the resignation of Mr Jaroslaw Dabrowski from holding the function of a Member of the Supervisory Board of Peixin International Group N.V. Mr Jaroslaw Dabrowski in the declaration of resignation as a reasons for his decision stated new professional challenges of a time consuming nature. Information on the resignation of Mr Jaroslaw Dabrowski was disclosed in the current report 3/2015.

1.10.3 *Remuneration Policy*

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

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

2. Other information

2.1 Environmental matters

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

2.2 Employee matters

The following table presents the number of employees of the Group as of the end of year 2013 and 2014. The headcount remained relatively unchanged.

	2013	**2014**
Management and administration	36	36
Production and assembly	376	413
R&D	23	33
Sales	23	29
Total	**458**	**511**

3. Corporate Governance

3.1 General information

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

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

3.2 Application of WSE Corporate Governance Rules

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

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

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

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

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

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

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

Exceptions to the application of WSE Best Practice

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

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

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

1) real - life broadcast of General Meetings;

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

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

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

“If a company’s Management Board is informed that a General Meeting has been summoned pursuant to Article 399 § 2-4 of the Code of Commercial Partnerships and Companies, the company\'s Management Board

shall immediately perform the actions it is required to take in connection with organizing and conducting a General Meeting. This rule shall also apply if a General Meeting is summoned on the basis of authorization given by the registration court pursuant to Article 400 § 3 of the Code of Commercial Partnerships and Companies."

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

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

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

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

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

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

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

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

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

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

3.3 Management and supervisory bodies and their committees

Management Board

As of 31 December 2014 the Management Board was composed of the following members:

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

*After the end of the period of 2014, Ms. Hongyan Dai submitted resignation from holding both the function of the Chief Financial Officer and the Member of the Company's Management Board. The resignation becomes effective as of 12 March 2015. Ms. Hongyan has been holding her function since 9 September 2013. Ms. Hongyan Dai indicated the personal health issue as the reason for resignation.

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

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

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

- entering into an agreement with a related entity with a value exceeding EUR 500,000. This approval is not required for resolutions to enter into an agreement with a subsidiary of which the legal title to a majority of the shares is held by the Company and which are on general market terms within the operational business of the Company;
- cooperation in the issue of depositary receipts for shares;

- the acquisition of a participating interest by it or by a dependent company in the capital of another company, the value of which equals at least the sum of one-quarter of the issued capital and the reserves of the participating company, as shown in its balance sheet with explanatory notes and any significant increase or reduction of such a participating interest;
- a proposal to dissolve the Company;
- an application for bankruptcy and for suspension of payments;
- the termination of the employment of a considerable number of employees of the Company or of a dependent company at the same time or within a short time-span;
- a significant change in the working conditions of a considerable number of employees of the Company or of a dependent company;
- a proposal to reduce the issued capital of the Company;
- a proposal to amend the articles of association of the Company; and
- a proposal for a statutory merger or demerger to which the Company is a party.

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

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

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

Supervisory Board

As of 31 December 2014 the Supervisory Board was composed of the following members:

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

*After the end of the period of 2014, Mr. Jaroslaw Dabrowski resigned from holding the function of a Member of the Supervisory Board of Peixin International Group N.V. Mr. Jaroslaw Dabrowski in the declaration of resignation as a reasons for his decision stated new professional challenges of a time consuming nature.

The resignation didn't influence the powers of the Supervisory Board. According to the Company's Articles of Association incomplete Supervisory Board remains its powers provided that at least three Supervisory members are in office.

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

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

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

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

3.4 Application of Dutch Corporate Governance Code

3.4.1 *Applied Corporate Governance Code and deviations*

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

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

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

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

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

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

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

d) a system of monitoring and reporting.

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4.2 *Restrictions on the transfer of shares*

There are currently no restrictions on the transfer of shares in the capital of the Company.

In October 2014, the lock-up commitment established in connection with the initial public offering has expired. Lock-up provisions concerned each of the Company and Mr Qiulin Xie, its principal shareholder, as well as Company's minority shareholders: Xinsheng Investment Holding Ltd, Jinyuan Investment Holding Ltd and Best Fortune Investment Enterprises Limited. During lock-up periods abovementioned entities agreed in particular not to transfer Company's shares without the written consent of Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie.

3.4.3 *Substantial holdings in the capital of the Company*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supervisory Board members are appointed by the General Meeting.

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

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

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

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

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

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

3.4.10 *Amendment of the articles of association of the Company*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pursuant to Dutch Civil Code the Company must strive for a mixed composition of the Management Board and the Supervisory Board in which at least 30% is male and 30% is female directors on the Management Board and the Supervisory Board. As of 31 December 2014, the Company did not meet these criteria at this moment since 25% of the Management Board is female and the entire Supervisory Board is male.

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

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

3.5 Management Statements

Compliance of Annual Financial Statements

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

- the Annual Financial Statements for the year ended 31 December 2014 give a true and fair view of the assets,
- liabilities, financial position and profits and loss of the Company and its subsidiaries,

- the additional management information disclosed in the Annual Report gives a true and fair view of the Company and its subsidiaries as at 31 December 2014 and the state affairs during the financial year to which the report relates, and
- the Annual Report describes the principal risk facing the Company. These are described in detail in this Director's Report.

Appointment of an Entity Qualified to Audit Annual Financial Statements

The Management Board of the PEIXIN'S International Group N.V. hereby states that BDO Audit & Assurance B.V., which performed the audit of the statutory financial statements of the Company for the year ended 31 December 2014, has been appointed in accordance with the applicable laws and that this entity and the accountants performing the audit met the conditions necessary to issue an impartial and independent report on the audit in accordance with the applicable provisions of law.

Management Board of the PEIXIN International Group N.V.

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

PEIXIN INTERNATIONAL GROUP N.V.

Report of the Supervisory Board

1. Meetings and activities of the PEIXIN's Supervisory Board in 2014

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

The Supervisory Board met during 2014 four times on March 2014, April 2014, May 2014 and end of December 2014.The main issues discussed during meetings in 2014 were concentrating on functioning of the Supervisory Board, the functioning of its committees and its individual members, based on the individual interviews with the Supervisory Board and the Management Board members conducted by Chairman of the Supervisory Board. The main conclusions and actions were discussed in a joint meeting with the Management Board. Moreover, in the financial year 2014, the Supervisory Board also discussed the Company's corporate strategy, the main risks of the business, and the result of the assessment by the Management Board of the structure and operation of the internal risk management and control systems, as well as any significant changes thereto. In regard to internal risk management and control system, the Company does not yet have a code of conduct, but intends to adopt a code of conduct in due course. Additionally during the meeting held in 2014 the Supervisory Board referred to the process of preparation and cancellation of the second public offering.

2. Composition of the Supervisory Board

During 2014, as well as at 31 December 2014, the Supervisory Board was composed of the following members:

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

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

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

Mr Ya Li (35) is a Chinese citizen. He has been Deputy Manager and Strategic Manager in Fujian Peixin Machinery Making Industrial Co., Ltd since August 2008. From 2004 to 2008 he was General Manager in Jinjiang Xingmin Financial Consulting Company. In the early 2000s he gained experience serving as Financial Manager in Fujian Daqing Group and Rizhongqing Clothing Company. Mr Ya Li held the position of Professor at Anhui University of Finance and Economics from 1999 to 2000. In 2009 Mr Ya Li received a Bachelor degree from Beijing Technology and Business University. Mr Ya Li also graduated in 1999 from Anhui University of Finance & Economics. The business address of Mr Ya Li is Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian. The current term of office of Mr Ya Li expires at the date of the annual General Meeting in 2017.

Mr Ming Shen (54) is a Canadian citizen. He has been CFO in Weifang Quanxin Chemical Ltd. since 2010. From 2005 to 2010 Mr Ming Shen worked in Leyi Investment Advisory. From 2000 to 2004 Mr Ming Shen was Country General Manager at COFACE China and in 2000 he served as Vice President of CareerNext.com in Hong Kong. During the 1990s Mr Ming Shen was responsible for strategic and project planning in Coca-Cola China Limited and Pepsi-Cola Company in Hong Kong. In 1995 Mr Ming Shen received an MBA diploma from the University of Western Ontario, Canada. Mr Ming Shen graduated from the University of Victoria, Canada in 1989 where he received Master degree. In 1985 Mr Ming Shen received a Bachelor degree in International Law from the China Foreign Affairs College. The business address of Mr Ming Shen is Shuangyang Overseas Chinese Economic-develop Area, Luojiang, Quanzhou, Fujian. The current term of office of Mr Ming Shen expires at the date of the annual General Meeting in 2017.

Mr Liem Tsong Lucien Tjon (54) is a Dutch citizen. Apart from serving as the Supervisory Board member he has been the owner of Vof Administratiekantoor Tjon since 1994 and a shareholder and director at Xin Yang International B.V. since 1996. Formerly Mr Tjon has held the position of financial assistant at Polanen Theater, Amsterdam and financial consultant at Van der Hoek Accountancy & Tax. The business address of Mr Tjon is Vof Administratiekantoor Tjon, Geledersekade 410A, 1011 EJ, Amsterdam. Pursuant to the rotation plan of the Supervisory Board, the current term of office of Mr Liem Tsong Lucien Tjon expires at the date of the annual General Meeting in 2016.

Mr Jarosław Dariusz Dąbrowski (50) is a Polish citizen. He has been active in the financial sector for over 15 years and has accrued wide experience in initiating and developing business enterprises. In 2010 Jarosław Dąbrowski started a privately owned corporate finance partnership under name Dąbrowski Finance. From 2004 to 2009 Jarosław Dąbrowski was President of the Board of DnB NORD Bank Polska S.A. Jarosław Dąbrowski was the co-creator of Raiffeisen Leasing Polska S.A. and was a member of the company's Supervisory Board. In 1989 Mr Dąbrowski received a Master degree in Law from the University of Warsaw and in 1992 a diploma in Management from Edinburgh University Management School. In 1998 he achieved the MBA diploma at University of Warsaw, Management Faculty, Centre of Management Training and in 2007 an AMP diploma from IESE Management School, University of Navarra. The business address of Mr Dąbrowski is Dąbrowski Finance Sp. z o.o., Pl. Piłsudskiego 1, Warsaw. Pursuant to the rotation plan of the Supervisory Board, the current term of office of Mr Jarosław Dariusz Dąbrowski expires at the date of the annual General Meeting in 2015.

Mr Rongfu Wu (29) is a Chinese citizen. He has been engineer at Fuijan Peixin since May 2009. Before that, from July 2007 he was employed as technican at Hengan Group-Hengan China Paper Manufacturing Co. Mr Rongfu Wu graduated from Haerbin Technolgy University, Mechanical Engineering in June 2007, where he received Bachelor degree. The business address of Mr Rongfu Wu is Fujian Peixin Machinery Making Industrial Co., Ltd, Shuangyang Overseas Chinese Economic-development Area, Luojiang, Quanzhou, Fujian. Pursuant to the rotation plan of the Supervisory Board, the current term of office of Mr Rongfu Wu expires at the date of the annual General Meeting in 2014.

Changes in the composition of the Supervisory Board after reporting period

After the end of 2014 composition of the Supervisory Board changed. Mr. Jaroslaw Dabrowski resigned from the function of a Member of the Supervisory Board of Peixin International Group N.V. Mr. Jaroslaw Dabrowski in the declaration of resignation as a reasons for his decision stated new professional challenges of a time consuming nature.

The resignation didn't influence the powers of the Supervisory Board. According to the Company's Articles of Association incomplete Supervisory Board remains its powers provided that at least three Supervisory members are in office.

3. Committees of the Supervisory Board

3.1 Audit Committee

The Audit Committee comprises three members of the Supervisory Board, namely:

- Mr.Ya Li,
- Mr. Ming Shen and
- Mr. Lien Tsong Lucien Tjon.

The chairman of the Audit Committee is Mr. Lien Tsong Lucien Tjon, whose expertise in financial planning and analysis, management, investment and corporate financing enables him to provide leadership for the Committee.

The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. These include reviewing the Group's interim and annual reports. Moreover, the Audit Committee evaluates the performance of the external auditors and related costs. The Audit Committee has also been involved in the process of assessing the performance and costs of the external auditor. In 2014 the Audit Committee meetings were held at the dates of the Supervisory Board meetings. The Audit Committee preformed activities in the extend and according to its statutory destination.

3.2 Remuneration Committee

The Remuneration Committee comprises three members of the Supervisory Board, namely:

- Mr. Ya Li,
- Mr. Ming Shen and
- Mr. Jarosław Dariusz Dąbrowski.

The chairman of the Remuneration Committee is Mr. Ming Shen.

The principal responsibilities of the Remuneration Committee are to review and make recommendations to the Supervisory Board on the overall remuneration structure and policy as well as the specific remuneration packages for the members of the Management Board and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Management Board, market rates and factors such as each director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. In 2014 the Remuneration Committee meetings were held at the dates of the Supervisory Board meetings. The Remuneration Committee preformed activities in the extend and according to its statutory destination.

3.3 Independence of the members of the Supervisory Board

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

Detailed information on independence of the members of the Supervisory Board is included in point 3.3 Application of Dutch Corporate Governance Code.

3.4 Remuneration of the Supervisory Board

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

3.5 Financial statements

The Management Board has prepared the 2014 financial statements. The Supervisory Board familiarized with these financial statements and discussed it attended by the auditors.

Supervisory Board of the PEIXIN International Group N.V.

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

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended 31 December	
		2013	2014
		kEUR	kEUR
Revenue	8	59,407	69,249
Cost of sales	9	(37,085)	(43,448)
Gross profit		22,322	25,801
Other income	10	272	168
Distribution and selling expenses	11	(1,121)	(1,672)
Administrative expenses	12	(1,406)	(1,991)
Research and development expenses	13	(1,434)	(2,431)
Profit from operations		18,633	19,875
Other gains and losses	14	(7)	(1)
Finance income	15	116	153
Finance expenses	15	(215)	(335)
Profit before tax		18,527	19,692
Income tax expense	16	(2,755)	(2,869)
Profit for the year		15,772	16,823
Other comprehensive income			
Items that will be reclassified to profit or loss			
-currency translation differences		(691)	6,239
Total comprehensive income for the year		15,801	23,062
Attributable to:			
Owners of the Company		15,801	23,062
Earnings per share - basic (EUR)	19	1.21	1.29

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(BEFORE PROFIT APPROPRIATION)

	NOTES	Year ended 31 December	
		2013	2014
		kEUR	kEUR
Non-current assets			
Property, plant and equipment	20	13,622	17,941
Prepaid lease payments	21	5,683	17,692
Investment properties	22	604	14
Other deferred assets	23	-	-
		19,909	35,647
Current assets			
Inventories	24	7,953	9,177
Trade and other receivables	26	10,204	13,540
Prepaid lease payments	21	22	25
Bank balances and cash	27	11,983	13,150
		30,162	35,892
Current liabilities			
Trade and other payables	28	3,159	4,088
Related parties payables	30	231	634
Advances from customers	29	3,653	2,283
Income tax payable		792	752
		7,835	7,757
Net current assets		22,327	28,135
Total assets less current liabilities		42,236	63,782
Non-current liability		-	-
Net asset		42,236	63,782
Capital and reserves			
Paid-in capital	32	13,000	13,000
Reserves	33	29,236	50,782
Total equity		42,236	63,782

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Owners of the Company						
	Share capital	Share premium	Foreign currency translation reserve	Statutory surplus reserve	Retained profits	Results for the year	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	(Note 32)	(Note 33)	(Note 33)	(Note 33)	(Note 33)		
Balance at 1 January 2013	41	3,302	2,179	1,630	5,609	11,369	24,130
Result appropriation	-	-	-	-	11,369	(11,369)	-
Profit for the year	-	-	-	-	-	15,772	15,722
Other comprehensive income for the year	-	-	(691)	-	-	-	(1,298)
Appropriation to statutory surplus reserve	-	-	-	1,007	(1,007)	-	-
Shares transferred from BVI to N.V.	(41)	41	-	-	-	-	-
Capital injection	45	-	-	-	-	-	45
Share capital injected by contribution of shares	11,955	16,976	-	-	(28,931)	-	-
Share capital injected by IPO	1,000	1,980	-	-	-	-	3,587
Balance at 31 December 2013	13,000	22,299	1,488	2,637	(12,960)	15,772	42,236
Result appropriation	-	-	-	-	15,772	(15,772)	-
Profit for the year	-	-	-	-	-	16,823	16,823
Other comprehensive income for the year	-	-	6,239	-	-	-	6,239
Payment of dividends	-	-	-	-	(1,516)	-	(1,516)
Balance at 31 December 2014	13,000	22,299	7,727	2,637	1,296	16,823	63,782

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
OPERATING ACTIVITIES		
Profit before tax	18,527	19,692
Adjustments for:		
Finance cost	215	335
Interest income	(117)	(153)
Depreciation of property, plant and equipment	1,323	1,483
Amortization of prepaid lease payments	22	23
Amortization of investment properties	48	1
Amortization of other deferred assets	195	678
Losses on disposal of property, plant and equipment	9	-
Operating cash flows before movements in working capital	20,222	22,059
(Increase) in inventories	(1,219)	(1,224)
(Increase) in trade and other receivables	(5,775)	(3,336)
Increase in trade and other payables	949	929
Increase in related parties payables	231	403
Increase/(Decrease) in advances from customers	71	(1,370)
Cash generated from operations	14,479	17,461
Income taxes paid	(2,616)	(3,006)
NET CASH FROM OPERATING ACTIVITIES	11,863	14,455
INVESTING ACTIVITIES		
Interest received	117	153
Purchase of property, plant and equipment	(4,963)	(3,842)
Purchase of land use right	(4,855)	(10,369)
Acquire of other deferred assets	-	-
NET CASH USED IN INVESTING ACTIVITIES	(9,701)	(14,826)

CONSOLIDATED STATEMENTS OF CASH FLOW (continued)

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
FINANCING ACTIVITIES		
Interest paid	(215)	(335)
Dividends paid	–	(1,516)
New bank loans raised	–	
Proceeds from issue of share capital	3,580	-
Repayment of borrowings	(4,072)	(4,129)
NET CASH USED IN FINANCING ACTIVITIES	(1,314)	(1,851)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	848	(2,222)
Add: Exchange difference	(300)	3,389
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,435	11,983
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by cash and bank balances	11,983	13,150

Notes to the consolidated financial statements

1. GENERAL INFORMATION

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

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

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

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

As at 31 December 2014, the Group comprised of the parent company Peixin International Group N.V. (registered under the Dutch law with its seat in Amsterdam) and four subsidiaries: Peixin International Group Ltd. (Peixin International BVI), Fujian Peixin Machine Manufacture Industry Co., Ltd. (Fujian Peixin), Quanzhou Peixin Machine Manufacture Industry Co., Ltd. (Quanzhou Peixin) and Baixin Industry Co., Ltd. (Yongchun Baixin).

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

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

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

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

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

As at 31 December 2014 and the date of approval of the consolidated financial statements, Peixin International Group N.V. had the following wholly-owned subsidiaries:

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

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

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

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

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

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

As of 31 December 2014, the Company's shareholding structure was as follows:

Shareholder	**No. of shares**	**% in the share capital**
P.I. Investment Limited - fully controlled by Mr Xie Qiulin (Principal Shareholder)	10,500,000	80.8%
Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident)	600,000	4.6%
Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident)	451,154	3.5%
Best Fortune Investment Enterprises Limited - fully controlled by Mr Johnny Chen (US Resident)	300,000	2.3%
Market	1,148,846	8.8%
Total	**13,000,000**	**100%**

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

Except as described below, for the year ended 31 December 2014 the Company has consistently adopted all the new and revised standards, amendments and interpretations (collectively IFRSs) issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee (formerly known as "International Financial Reporting Interpretations Committee" ("IFRIC")) of the IASB as adopted by the European Union ("adopted IFRSs") that are effective for financial year beginning on 1 January 2014 in the preparation of the consolidated financial statements throughout the year.

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

IAS 27 (Revised 2011)	Separate Financial Statements
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
IFRIC 21	Levies
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

IFRS 14	Regulatory Deferral Accounts
IAS 16 (amendments)	Property, Plant and Equipment
IAS 19 (amendments)	Employee Benefits
IAS 38 (amendments)	Intangible Assets
IFRS 11 (amendments)	Joint Arrangements

Annual Improvements 2010-2012 Cycle

Annual Improvements 2011-2013 Cycle

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

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the 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). Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

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

Foreign currencies

Functional and presentation currency

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

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

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

	Years end rates	Average rates
31 December 2013	EUR 1.00=RMB 8.4189	EUR 1.00=RMB 8.2396
31 December 2014	EUR 1.00=RMB 7.4556	EUR 1.00=RMB 8.1255

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Transactions and balances

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

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

Segment reporting

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

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

Revenue recognition

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Research and development expenditure

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

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

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

Borrowing costs

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

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

Government grants

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Taxation-continued

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

Property, plant and equipment

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

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

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

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

Investment property

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

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

Other deferred assets

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

Prepaid investments

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Leased assets

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

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

Inventories

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as receivables.

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Financial instruments-continued

Financial assets-continued

Receivables

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

Impairments of receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Financial instruments-continued

Financial assets-continued

Cash and cash equivalents

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES-continued

Capital and Reserves

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

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

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

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

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

5. SIGNIFICANT MANAGEMENT JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

Allowance for Bad and doubtful debts

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

Income Tax

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group's provision for income taxes. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recognized, such differences will impact the income tax and differed tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2013 and 31 December 2014 amounted to kEUR 792 and kEUR 752 respectively.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Depreciation of building, machinery and equipment

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

7. SEGMENT REPORTING

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

Revenue:	2013		2014	
	Unit	kEUR	Unit	kEUR
External customers				
Sanitary napkins machines	81	27,916	77	30,175
Diaper machines	49	21,627	61	27,503
Facial tissue machines	459	7,420	590	8,148
Other paper machines	85	2,444	93	3,423
	674	59,407	821	69,249

Year ended 31 December

Results:	2013	2014
	kEUR	kEUR
Segment gross profit		
Sanitary napkins machines	10,589	11,413
Diaper machines	8,333	10,394
Facial tissue machines	2,629	2,833
Other paper machines	771	1,161
	22,322	25,801

By Geographical Information

Year ended 31 December

	2013		2014	
	Unit	kEUR	Unit	kEUR
Revenue:				
Direct sales				
-Mainland China	428	37,247	493	43,207
-Outside Mainland China	46	5,050	69	5,284
Sales to trading companies	200	17,110	259	20,758
	674	59,407	821	69,249

Year ended 31 December

	2013	2014
	kEUR	kEUR
Current assets		
-Sanitary napkins machines	6,920	7,189
-Diaper machines	4,880	8,748
-Facial tissue machines	1,097	1,656
-Other paper machines	337	1,326
-Unallocated current assets	16,928	16,973
	30,162	35,892

7. SEGMENT REPORTING – continued

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Non-current assets		
-Sanitary napkins machines	-	-
-Diaper machines	-	-
-Facial tissue machines	-	-
- Other paper machines	-	-
-Unallocated non-current assets[1]	19,909	35,647
	19,909	35,647

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

8. REVENUE
Revenue represents revenue arising on sales of goods.
Revenue is denominated in the following currencies:

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Renminbi ("RMB")	54,357	63,965
United States Dollars ("USD")	5,050	5,284
	59,407	69,249

COST OF SALES
Cost of sales comprises of purchasing materials, labor costs for personnel employed in production, depreciation and amortization of non-current assets used for production purpose, outsourced manufacturing cost, taxes and surcharges and water and electricity. The following table shows a breakdown of cost of sales for the period under review for each category:

		Year ende 31 December		
		2013		2014
		kEUR		kEUR
Changes in inventories of finished goods and work in progress		(1,122)		(1,080)
Glue machines and motors	11,875		11,702	
Steel	5,303		8,520	
Electric controllers	5,816		6,167	
Knife roller\cylinder	1,196		1,369	
Other components	5,765		6,603	
Auxiliary materials	1,324		1,474	
Materials consumed in production		31,279		35,835
Labor		3,351		3,738
Depreciation and amortization		1,165		1,340
Outsourced manufacturing cost		1,307		1,452
Taxes and surcharges *		547		598
Water and electricity		495		523
Others		131		397
Foreign currency translation difference		(68)		645
		37,085		43,448

9. COST OF SALES - continued

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

10. OTHER INCOME

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Government grant	7	88
Rental income	36	37
Sales of spare parts	229	43
	272	168

11. DISTRIBUTION AND SELLING EXPENSES

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Staff costs	530	621
Marketing and advertising costs	257	466
Post-sales services costs	164	293
Travelling costs	60	73
Depreciation	6	5
Agency costs	-	104
Others	104	110
	1,121	1,672

12. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Staff costs	399	437
Depreciation and amortization charges	362	353
Entertainment and office expenses	242	222
Miscellaneous taxes	171	288
Travelling and transportation expenses	166	169
Professional service fee	-	385
Others	66	137
	1,406	1,991

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses comprise following expenses:

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Materials	849	1,405
Staff costs	448	616
External advisors	131	405
Depreciation charges	6	5
	1,434	2,431

14. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Losses on disposals of property, plant and equipment	(7)	-
Donation	-	(1)
	(7)	(1)

15. FINANCE INCOME AND EXPENSES

Financial income	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Interest income	117	153
Foreign exchange gain, net	(1)	-
	116	153

Financial expenses	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Interest expenses on bank borrowings wholly repayable within one year	215	230
Foreign exchange gain, net	-	105
	215	335

Bank borrowings interests are charged on interest rates of 6.000% during the year ended 31 December 2014. (2013: 6.000% to 6.560%)

Bank loans	**Amount kEUR**	**Period**		**Interest rate**	**Interest**
#1	194	2014/01/07	2015/01/07	6.00%	10
#2	671	2014/01/09	2015/01/09	6.00%	36
#3	2,066	2014/01/21	2015/01/21	6.00%	106
#4	719	2014/01/25	2015/01/25	6.00%	36
#5	850	2014/01/28	2015/01/28	6.00%	42
					230

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

16. INCOME TAX EXPENSE

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Current tax:		
PRC enterprise income tax	2,755	2,869

16. INCOME TAX EXPENSE-continued

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

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

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

The applicable enterprise income tax rate of Quanzhou Peixin is 25%. At 31 December 2013 and 2014, Quanzhou Peixin has no recognized tax losses and no income tax was charged for the years ended 31 December 2013 and 2014.

The applicable enterprise income tax rate of Quanzhou Baixin is 25%. At 31 December 2013 and 2014, Quanzhou Baixin has no recognized tax losses and no income tax was charged for the years ended 31 December 2013 and 2014.

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Profit before tax	18,527	19,692
Tax calculated at Dutchtax rates applicable to profits in PRC (2013 and 2014: 25%)	4,632	4,923
Tax effect of expenses not deductible for tax purpose	30	80
Tax effect of additional expenses deductible for tax purpose	(180)	(304)
Tax effect of tax loss of Quanzhou Peixin and the Company for which no deferred income tax asset was recognized	190	187
Effect of lower tax rate in Fujian Peixin	(1,917)	(2,017)
Tax charge for the year	2,755	2,869

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
-currency translation differences	(173)	1,560
	(173)	1,560

17. EMPLOYEES' EMOLUMENTS

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Salaries and other short-term benefits	4,596	5,274
Defined contribution benefit schemes	132	138
Total employee benefits expense (including directors' emoluments)	4,728	5,412

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

Average number of employees

During the financial year the average number of employees was 501 (2013: 457)

The average number of employees specified by function:

	Year ended 31 December	
	2013	2014
Manufacturing department	375	407
Sales department	23	26
Administrative department	36	36
R&D department	23	32
	457	501

18. KEY MANAGEMENT EMOLUMENTS

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Directors' emoluments		
-Salaries		
Xie Qiulin	76	77
Xie Kaida	22	24
Dai Hongyan	48	48
Xue Bas	-	-
	146	149

18. KEY MANAGEMENT EMOLUMENT – continued

	Year ended 31 December 2013 kEUR	2014 kEUR
Supervisory board' emoluments		
-Salaries		
Li Ya	*	8
Shen Ming	*	8
Liem Tsong LucienTjon	*	4
Jaroslaw Dariusz Dabrowski	5	16
Wu Rongfu	32	34
	40	70

	Year ended 31 December 2013 kEUR	2014 kEUR
-Social Welfare		
Xie Qiulin	1	1
Xie Kaida	1	1
Dai Hongyan	1	1
Wu Rongfu	1	1
	4	4

* Amount less than EUR 1,000.

19. EARNINGS PER SHARE

	Year ended 31 December 2013 EUR	2014 EUR
Basic earnings per share		
From continuing operations	1.21	1.29
Total basic earnings per share	1.21	1.29

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

	Year ended 31 December 2013 kEUR	2014 kEUR
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	15,772	16,823

	Year ended 31 December 2013	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	13,000,000	13,000,000

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

20. PROPERTY, PLANT AND EQUIPMENT

	Plant & buildings	Machinery & equipment	Office equipment	Motor vehicles	Prepayments for machineries	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
COST						
At 1 January 2013	8,608	4,920	566	368	_	14,462
Additions	-	1,548	-	-	3,415	4,963
Disposals	-	(178)	-	-	-	(178)
Translation adjustment	(55)	(88)	(7)	(5)	(73)	(228)
At 31 December 2013	8,553	6,202	559	363	3,342	19,019
Additions-purchase	1,477	3,730	1	-	-	5,208
Addition-transferred from IP	759	-	-	-	-	759
Addition-transferred from PP	-	-	-	-	1,375	1,375
Disposals	768	-	-	-	(3,463)	(2,695)
Translation adjustment	1,357	1,136	72	47	244	2,856
At 31 December 2014	12,914	11,068	632	410	1,498	26,522
DEPRECIATION						
At 1 January 2013	(1,901)	(1,694)	(408)	(163)		(4,166)
Provided for the year	(931)	(456)	(57)	(35)	-	(1,479)
Eliminated on disposals of assets	-	169	-	-	-	169
Translation adjustment	42	27	6	4	-	79
At 31 December 2013	(2,790)	(1,954)	(459)	(194)	-	(5,397)
Provided for the year	(1,157)	(891)	(51)	(36)	-	(2,135)
Transferred from IP	(147)	-	-	-	-	(147)
Translation adjustment	(477)	(333)	(64)	(28)	-	(902)
At 31 December 2014	(4,571)	(3,178)	(574)	(258)	-	(8,581)
CARRYING AMOUNT						
At 1 January 2014	5,763	4,248	100	169	3,342	13,622
At 31 December 2014	8,343	7,890	58	152	1,498	17,941

20. PROPERTY, PLANT AND EQUIPMENT-continued

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis with 5% residual value at the following rates per annum:

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

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

Buildings on leasehold land comprise:

Location	Description	Gross area (m2)
Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Dormitory	3,759
Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	16,876
Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Office building	4,554
Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	1,120
Xinyang Community, Shuangyang Street, Luojiang District, Quanzhou City, Fujian Province, the PRC	Factory workshop	4,045

The Group has no pledged buildings as at 31 December 2014 to secure general banking facilities since the loans have been paid off (31 December 2013: Nil).

The gross carrying amount of the fully depreciated property, plant and equipment that is still in use is kEUR 48 as at 31 December 2014 (31 December 2013: kEUR 21).

21. LAND

	Land use right	Prepayments	Total
		kEUR	kEUR
Cost			
At 1 January 2013	1,113	-	1,113
additions	-	4,855	4,855
translation adjustment	(13)	(103)	(116)
At 31 December 2013	1,100	4,752	5,852
Additions	-	10,369	10,369
translation adjustment	142	1,544	1,686
At 31 December 2014	1,242	16,665	17,907

21. LAND-continued

AMORTIZATION			
At 1 January 2013	(126)	-	(126)
charge for the year	(22)	-	(22)
translation adjustment	1	-	1
At 31 December 2013	(147)	-	(147)
charge for the year	(23)	-	(23)
translation adjustment	(20)	-	(20)
At 31 December 2014	(190)	-	(190)
CARRYING AMOUNTS			
At 1 January 2014	953	4,752	5,705
At 31 December 2014	1,052	16,665	17,717

Analyzed for reporting purposes as:

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Non-current asset	5,683	17,692
Current asset	22	25
	5,705	17,717

The amounts represent the prepayment of rentals for land use right (industrial use) situated in the PRC. The leasehold lands have the term of 50 years.

All the leasehold lands mentioned below were owned by Quanzhou Peixin.

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

The Group has no pledged leasehold as at 31 December 2014 to secure general banking facilities since the loans have been paid off (31 December 2013: Nil).

The leasehold land comprises:

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

22. INVESTMENT PROPERTIES

	Amount kEUR
Cost	
At 1 January 2013	997
translation adjustment	(12)
At 31 December2013	985
Transferred to PPE	(759)
translation adjustment	59
At 31 December 2014	285
DEPRECIATION	
At 1 January 2013	(338)
charge for the year	(48)
translation adjustment	5
At 31 December 2013	(381)
charge for the year	(1)
Transferred to PPE	147
translation adjustment	(36)
At 31 December 2014	(271)
CARRYING AMOUNTS	
At 1 January2014	604
At 31 December 2014	14

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

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

Location	Description	Gross area (m^2)
Fuqiao Houkeng Village, Licheng District, Quanzhou City, Fujian Province, the PRC	Leased out	3,202

The Group has no pledged investment property as at 31 December 2014 to secure general banking facilities since the loans have been paid off (31 December 2013: Nil).

23. INVENTORIES

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Raw materials and consumables	3,269	3,413
Work in progress	4,043	5,416
Finished goods	641	348
	7,953	9,177

24. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Current		
Trade and other receivables (Note 26)	9,692	13,349
Bank balances and cash (Note 27)	11,983	13,150
	21,675	26,499

Financial liabilities measured at amortized cost

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Current		
Trade and other payables (Note 28)	2,949	3,432
Advancesfrom customers (Note 29)	3,653	2,283
Related parties payables (Note 30)	231	634
	6,833	6,349

24. FINANCIAL ASSETS AND LIABILITIES-continued

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

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

25. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Trade receivables	8,549	13,155
Other receivables	1,143	194
Subtotal	9,692	13,349
Prepayments	512	191
	10,204	13,540

Trade and other receivables are denominated in the following currencies:

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Renminbi ("RMB")	8,184	12,218
United States Dollars ("USD")	1,968	1,322
Euros ("EUR")	52	-
	10,204	13,540

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

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Current	8,549	13,120

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Past due for less than 3 months	-	35
Total Current and past due	-	-
	8,549	13,155

There are no trade receivables that are impaired.

26. BANK BALANCES AND CASH

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Cash on hand	37	2
Bank balances	11,946	13,148
	11,983	13,150

Bank balances and cash are denominated in the following currencies:

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Renminbi ("RMB")	10,290	13,098
United States Dollars ("USD")	52	9
Hong Kong Dollars ("HKD")	*	4
Euros ("EUR")	1,619	39
Zlotys ("PLN")	22	*
	11,983	13,150

* Amount less than EUR 1,000.

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. Bank balances as at 31 December 2014 carry interest at market rates of 0.35%-0.5% (2013: 0.35%-0.50%) per annum.

27. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2013 kEUR	2014 kEUR
Trade payables	2,248	2,492
Other payables	9	11
Salary payables	692	929
Subtotal	2,949	3,432
Tax payables other than income tax	210	656
	3,159	4,088

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

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

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

	Year ended 31 December	
	2013 kEUR	2014 kEUR
Current	2,248	2,492

28. ADVANCES FROM CUSTOMERS

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

	Year ended 31 December	
	2013 kEUR	2014 kEUR
Renminbi ("RMB")		364
United States Dollars ("USD")	3,289	2,283
	3,653	2,283

The aging analysis of advances from customers is as follows:

	Year ended 31 December	
	2013 kEUR	2014 kEUR
Less than 3 months	820	1,089
Over 3 months but less than 1 year	2,227	882
Over 1 year but less than 1 and a half years	606	312
	3,653	2,283

29. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

Name	Relationship with the Group
Xie Qiulin	Director of the Group

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Xiu Qiulin	231	634
	231	634

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

30. BANK BORROWINGS

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Secured bank borrowings	-	-
Carrying amount repayable within1 year	-	-

The borrowings are fixed-rate and denominated in RMB.

2014-12-31

Bank loans	Amount kEUR	Period		Interest rate	Mortgage	Personal guarantee
#1	194	2014-1-7	2015-1-7	6.00%	Land use right and buildings	Xie Qiulin
#2	671	2014-1-9	2015-1-9	6.00%	Land use right and buildings	Xie Qiulin
#3	2,066	2014-1-21	2015-1-21	6.00%	Land use right and buildings	Xie Qiulin
#4	719	2014-1-24	2015-1-24	6.00%	Land use right and buildings	Xie Qiulin
#5	850	2014-1-28	2015-1-28	6.00%	Land use right and buildings	Xie Qiulin
	4,500					

The above-mentioned loans have been paid off as at 31 December 2014.

No asset has been pledged to secure bank borrowings as at 31 December 2014.

A personal guarantee was provided by director of the Company, Xie Qiulin for kEUR 4,500 for the year ended 31 December 2014.

31. SHARE / PAID-IN CAPITAL

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Share/paid-in capital	13,000	13,000

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

	Numbers of Shares	Share capital EUR
Authorized and issued and fully paid Ordinary shares of EUR 1.00 each on the date of incorporation, and at 31 December 2014	13,000,000	13,000,000

32. RESERVES

Share premium

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

Statutory surplus reserve

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

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

The statutory surplus reserve of the Company amounts to kEUR 2,637 at 31 December 2014 (31 December 2013: kEUR 2,637). The statutory surplus reserve of the Company is related to Fujian Peixin and Quanzhou Peixin.

Retained profits

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

Foreign currency translation reserve (other comprehensive income)

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

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

There were no changes in the Group's approach to capital management for the financial year ended 31 December 2014. The Group's strategy is to maintain gearing ratios within 25%.

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

Total capital is calculated as equity plus net debt.

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Net debt	(4,940)	(6,145)
Total equity	42,236	63,782
Total capital	37,296	57,637
Gearing ratio	13%	11%

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk

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

34. RISK MANAGEMENT OBJECTIVES AND POLICIES-continued

Market Risk-continued

As at 31 December 2013 and 2014, the Company's financial instruments mainly consisted of cash and bank balances, receivables and payables. The Company's financial assets and liabilities by category are summarized as below:

	Year ended 31 December 2013 kEUR	2014 kEUR
Financial assets		
Receivables		
(Including bank balances and cash)	21,675	26,499

	Year ended 31 December 2013 kEUR	2014 kEUR
Financial liabilities		
Amortized cost	6,833	6,349

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

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

Foreign currency sensitivity

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

The Group incurs foreign currency risk on expenses and transactions denominated in currencies of USD. In addition, the Group prepares financial statements in EUR and therefore their results and net asset position are exposed to retranslation risk as a result of fluctuation in the EUR exchange rate.

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

2013-12-31

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

34. RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Market Risk-continued

Foreign currency sensitivity-continued

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

2014-12-31

	RMB	USD	HKD	EUR
	kEUR	kEUR	kEUR	kEUR
Financial assets				
Trade and other receivables (Note 26)	12,218	1,322	-	-
Bank balances and cash (Note 27)	13,098	9	4	39
	25,316	1,331	4	39

	RMB	USD	EUR
	kEUR	kEUR	kEUR
Financial liabilities			
Trade and other payables (Note 28)	3,432	-	-
Related parties payables	-	-	634
Advances from customers	-	2,283	-
	3,432	2,283	634

A 5% strengthening of the RMB/USD/ PLN against the EUR as at 31 December 2013 and 31 December 2014 would have had the following impact on the net profit after taxation and equity by the amounts shown below:

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
RMB	623	930
USD	(54)	(40)
HKD	*	*
PLN	1	2

* Amount less than EUR 1,000.

A 5% weakening of the RMB/ USD/ HKD/ PLN against the above currency as at 31 December 2013 and 31 December 2014would have the equal but opposite effect on the currency of the amounts shown above.

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

34. RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Market Risk-continued

Interest Rate Sensitivity

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

Credit risk analysis

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

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

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

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from trade receivables are 38% for the financial year ended 31 December 2014comprising 5 customers.(2013: 46%)

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

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

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Financial assets		
Trade and other receivables (Note 26)	9,692	13,349
Related parties receivables	-	-
Pledged bank deposits	-	-
Bank balances and cash	11,983	13,150
	21,675	26,499

34. RISK MANAGEMENT OBJECTIVES AND POLICIES-continued

Market Risk-continued

Liquidity risk analysis

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

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

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

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

	Less than 1 year	Total
	kEUR	kEUR
2014-12-31		
Trade and other payables (Note 28)	3,432	3,432
Advances from customers	1,971	1,971
Related parties payables	403	403
	5,806	5,806

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

35. RELATED PARTY TRANSACTIONS

Compensation to the key management of the Company

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Xie Qiulin		
-Short-term employee benefits	76	77
-Social welfare	1	1
	77	78

35. RELATED PARTY TRANSACTIONS-continued

Xie Kaida		
-Short-term employee benefits	21	24
-Social welfare	1	1
	22	25
Dai Hongyan		
-Short-term employee benefits	48	48
-Social welfare	1	1
	49	49
Li Ya		
-Short-term employee benefits	*	8
-Social welfare	-	-
	*	8
Shen Ming		
-Short-term employee benefits	*	8
-Social welfare	-	-
	*	8
Liem Tsong Lucien Tjon		
-Short-term employee benefits	*	4
-Social welfare-	-	-
	*	4
Jaroslaw Dariusz Dabrowski		
-Short-term employee benefits	5	16
-Social welfare	-	-
	5	16
Wu Rongfu		
-Short-term employee benefits	32	34
-Social welfare	1	1
	33	35

*Amount less than EUR 1,000.

No personal undertaking loans guaranteed by director of the Company as at 31 December 2014.

36. CONTINGENCIES

As at 31 December 2014, the Group had no contingencies that needed to be disclosed.

37. COMMITMENTS

As at 31 December 2014, the Group had no commitments that needed to be disclosed.

The Company financial statements of comprehensive income
For the year ended 31 December 2014

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Shares in result of participating interest after taxation	7,035	30,055
Other income/(expenses) after taxation	(98)	(56)
Net Profit After Tax	6,937	29,999

The company statements of financial position (before profit appropriation)

For the year ended 31 December 2014

	NOTES	As at 31 December 2013	As at 31 December 2014
		kEUR	kEUR
Non-current assets			
Long-term investment	3	39,309	62,847
		39,309	62,847
Current assets			
Related parties receivables	4	3,301	1,771
Bank balances and cash		44	2
		3,345	1,773
Current liabilities			
Related parties payables	5	418	838
		418	838
Net current assets		2,927	935
Total assets less current liabilities		42,236	63,782
Net asset		42,236	63,782
Capital and reserves			
Paid-in capital		13,000	13,000
Share premium		22,299	22,299
Foreign currency translation reserve		1,488	7,727
Legal reserve		2,637	2,637
Retained earnings		(4,125)	(11,880)
Profit for the year		6,937	29,999
Total equity		42,236	63,782

The Company statements of changes in equity

For the period ended 31 December 2014

Peixin International Group N.V.

	Share capital	Share premium	Foreign currency translation reserve	Legał reserve	Retained profits	Profit for the year	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
	(Note 32)	(Note 33)	(Note 33)	(Note 33)			
Balance at 2 July 2013	45	-	-	-	-	-	45
Contribution of shares	11,955	20,319	1,488	1,630	(3,118)	-	32,274
Profit for the year	-	-	-	-	-	6,937	6,937
Appropriation to statutory surplus reserve	-	-	-	1,007	(1,007)	-	-
Share capital injected by IPO	1,000	1,980	-		-	-	2,980
Balance at 31 December 2013	13,000	22,299	1,488	2,637	(4,125)	6,937	42,236
Contribution of shares	-	-	6,239	-	(6,239)	-	-
Profit for the year	-	-	-	-	-	23,062	23,062
Payment of dividends	-	-	-	-	(1,516)	-	(1,516)
Balance at 31 December 2014	13,000	22,299	7,727	2,637	(11,880)	29,999	63,782

Notes to the Company financial statements (continued)

1. ACCOUNTING POLICY

The Company financial statements of Peixin International Group N.V., which the financial statements for 2014 of the Company, have been prepared in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code. Pursuant to Section 362(8) of this Code, the same accounting policies were used as in the consolidated financial statements. In preparing the separate statement of income, the company has availed itself of the exemption provided by Section 402 of the Code.

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

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

2. ADMINISTRATIVE EXPENSES

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

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Audit annual account	32	32
Other audit assignments	80	-
	112	32

Number of employees

During the period ending 31 December 2014, the company had only one employee.

3. LONG-TERM INVESTMENT

	Year ended 31 December	
	2013	2014
	kEUR	kEUR
Contribution of shares	32,274	32,792
Result of group companies	7,035	30,055
	39,309	62,847

Investments in group companies are as follows:

	Share of issued Share capital in %	Shareholders' equity accordance with the last financial statements	Result in in accordance with the last financial statements
	%	kEUR	kEUR
Peixin International BVI	100%	62,847	30,055

Notes to the Company financial statements (continued)

4. RELATED PARTIES RECEIVABLES

(1) Nature of relationship with related parties:

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

(2)Significant balances between the Companyand the above related parties:

	As at 31 December 2013	As at 31 December 2014
	kEUR	kEUR
Peixin International BVI	3,301	1,771
	3,301	1,771

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

5. RELATED PARTIES PAYABLES

(1) Nature of relationship with related parties:

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

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

	As at 31 December 2013	As at 31 December 2014
	kEUR	kEUR
Fujian Peixin	187	204
Xie Qiulin	231	634
	418	838

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

The consolidated financial statements and the Company financial statements on page 2 to 46 were approved and authorized for issue by the Board of Directors on April 28, 2015 and are signed on its behalf by:

Xie Qiulin
DIRECTOR

Bas Xue
DIRECTOR

Xie Kaida
DIRECTOR

Li Ya
MEMBER OF THE SUPERVISORY BOARD

Shen Ming
MEMBER OF THE SUPERVISORY BOARD

Liem Tsong Lucien Tjon
MEMBER OF THE SUPERVISORY BOARD

Wu Rongfu
MEMBER OF THE SUPERVISORY BOARD

6. OTHER INFORMATION

Statutory rules concerning appropriation of result

Article 23

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

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

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

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

Proposed appropriation of the result

The result of KEUR 29,999 of this financial year 2014 is shown as ‘Unappropriated result’ until the shareholders of the company approves the 2014 financial statements. The management Board has made a dividend distribution in the amount of EUR 1,560,000 in the aggregate, being an amount of EUR 0.12 per share (the Distribution). The dividend day was set on 6 May 2014 and it was paid on 16 May 2014.

At the general shareholders’ meeting the financial statements will be approved and a proposal will be put forth to add the 2014 net result after taxes to ’Other Retained Earnings’.

Subsequent events

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

Independent auditor's report

To: The shareholders and Supervisory Board of Peixin International Group N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Peixin International Group N.V. (the Company), based in Amsterdam. The financial statements include the consolidated financial statements and the Company financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Peixin International Group N.V. as at 31 December 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
- the Company financial statements give a true and fair view of the financial position of Peixin International Group N.V. as at 31 December 2014 and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2014;
2. the following consolidated statements for 2014: statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The Company financial statements comprise:

1. the Company balance sheet as at 31 December 2014;
2. the Company profit and loss account for 2014; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Peixin International Group N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

Materiality

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 1,300,000. The materiality is based on 2% of revenue. We believe that basing our materiality on revenue best reflects what is important for the users of the financial statements, considering the nature of the entity's business and industry as well as the entity's current operations. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of € 65,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Peixin International Group N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Peixin International Group N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant components. We consider a component significant when:

- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extend we:

- performed audit procedures ourselves at parent entity Peixin International Group N.V.;
- used the work of component auditor when auditing subsidiaries: Peixin International Group Ltd., Fujian Peixin Machine Manufacture Industry Co., Ltd., Quanzhou Peixin Machine Manufacture Industry Co., Ltd. and Baixin Industry Co., Ltd.

We instructed component auditor as to the significant areas to be covered and the information to be reported back. We approved component materiality adopted by component auditor of RMB 8,100,000 having regard size and risk profile of the components audited by component auditor. We visited component auditor in China. The findings reported to us were discussed in detail, and any further work required by us was then performed by the component auditor in China.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Revenue from sale of machineries represent the majority of the Company's total revenue. As discussed in note 4, revenue is recognised when all revenue recognition criteria have been met. The proper cut-off of revenue has been identified as a key audit matter. Specifically, revenue from sale of goods is recognised when the goods are delivered and significant risks and rewards of the ownership of the goods have been transferred to customers.

Component auditor has performed substantive audit procedures, by amongst others, margin analyses by comparing actual to Company's historical margins, review of significant sales contracts, test of transactions to assess the correctness and completeness of recognition of revenue, including the proper cut-off. In addition, the component auditor audited the timing of revenue recognition immediately prior to and after yearend by comparing the timing of revenue recognition to delivery date substantiated by shipping documents.

Management Override

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

The audit team as well as the component auditor exercised professional skepticism throughout the engagement. Additionally, component auditor reviewed journal entry posting for suspected fraudulent journal entries postings.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the

Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.

- we report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the Supervisory Board as auditor of Peixin International Group N.V. on 2 January 2014, as of the audit for year 2013 and have operated as statutory auditor ever since that date.

Amstelveen, 30 April 2015

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

-signed-

J.A. de Rooij RA