The Management Board Report for the year ended 31 December 2017

Contents

1. General information about the Group

1.1 The Group structure

As of the reporting date i.e. 31 December 2017 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 publication annual 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,

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

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

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

1.2 Changes in the composition of the Group

During the year 2017 composition of the Peixin Group didn’t change.

1.3 Business and products description

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

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

1.4 Market overview

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

According to Global Diaper Market Report 2014-2018 prepared by Kimberly-Clark, Svenska Cellulosa Aktiebolaget, P&G & Unicharm Corp Dominates the Market, one of the major drivers in this market is the increasing average disposable income among the population. There is a low level of volatility in the per capita disposable income of the people. Moreover, the purchasing power of people has increased exponentially. The affordability of diapers has grown in the developing countries, while there is a high penetration of diapers in the developed nations. One of the major trends in the market is the increased R&D investments by the vendors. The Global Diaper market is witnessing several innovations for the improvement of the performance and the efficiency of diapers. The investments are aimed to enhance the bio-degradability of the product and its safety for usage. The designing of diapers as well as the usage of improved and beltless technology are the focus of the

R&D investments. Also, investments are made by the vendors for protection of their brands and to prevent infringement of copyright by other low-cost producers. Thus, the market is expected to experience increased R&D expenditure by the vendors to develop a sustainable competitive advantage. Further, the report states that one of the major challenges in this market is the declining birth rates in the developed markets. The decline occurred during the great recession, when there was high unemployment, which discouraged people to expand their families*.

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

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

2. Selected financial data

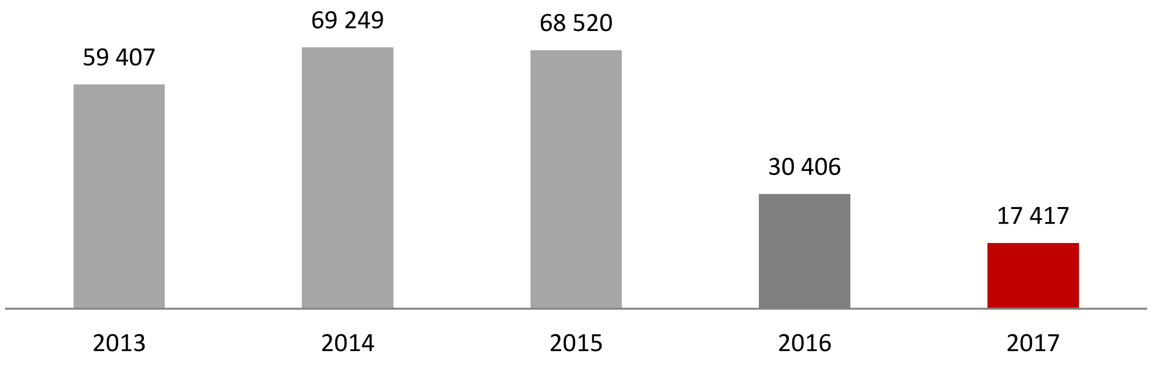
'000 EUR	**2017**	**2016**
revenues	17,417	30,406
gross profit	3,437	6,323
operating profit	(2,806)	781
EBITDA	(2,318)	1,371
profit before tax	(2,801)	889
net profit	(2,801)	753
cash flow from operating activities	1,503	(1,376)
cash flow from investing activities	(5,712)	(1,923)
cash flow from financing activities	-	-
net increase in cash and cash equivalents	(4,984)	(4,090)

'000 EUR	**31 Dec 2017**	**31 Dec 2016**
non-current assets	22,738	35,553
current assets	48,980	43,421
total assets	71,718	78,974
short-term liabilities	2,607	3,795
total equity	71,718	75,179
paid-in capital	13,000	13,000

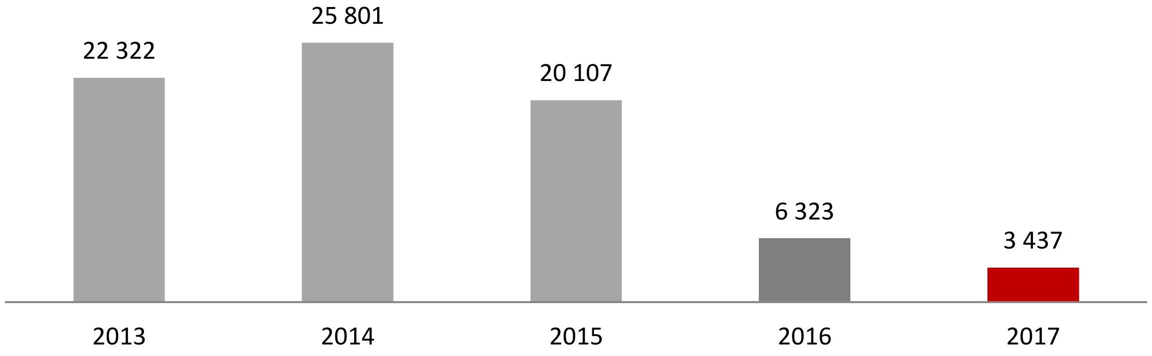
2.1 Operating and financial review

2.1.1 *Key financial charts*

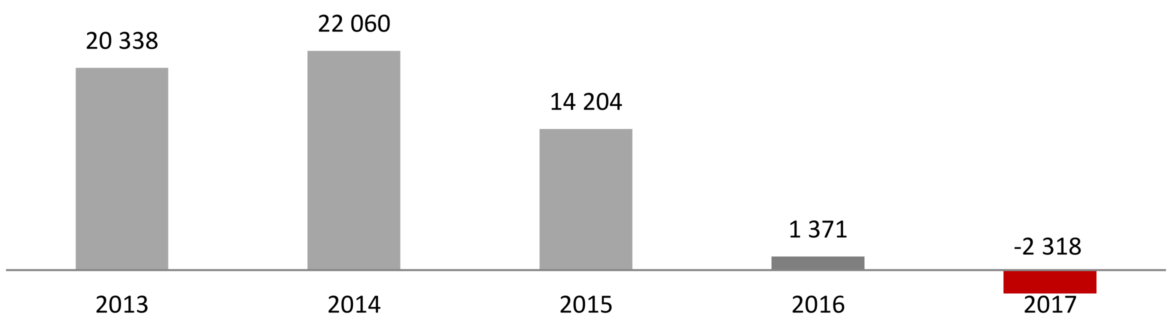
Sales '000 EUR



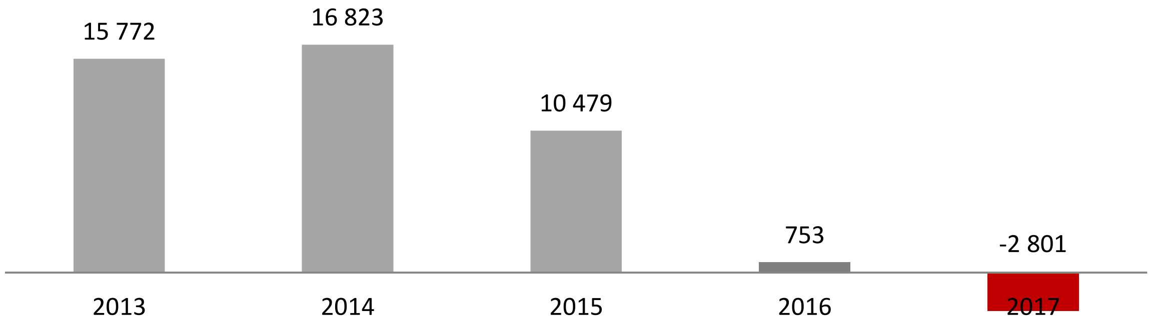
Gross Profit '000 EUR



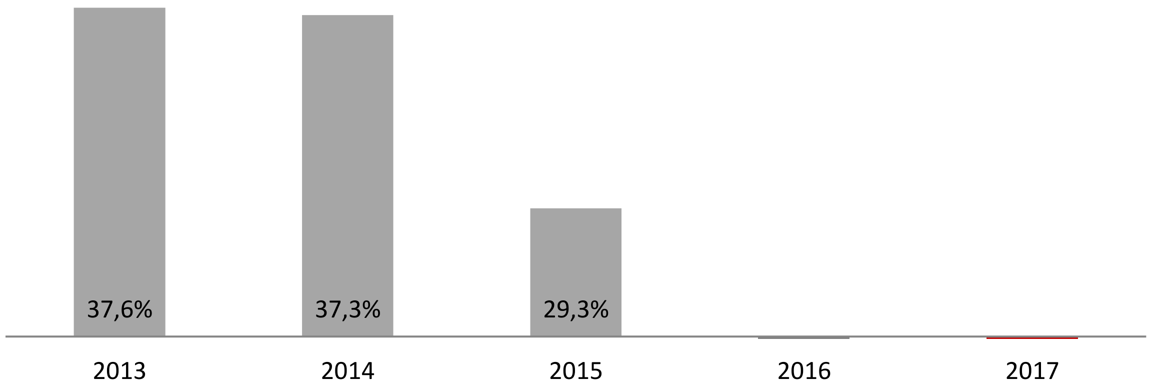
EBITDA '000 EUR



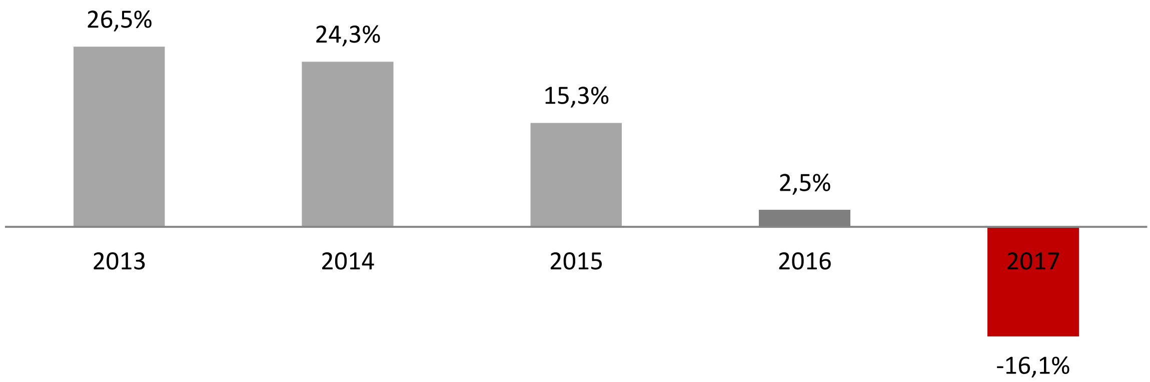
Net profit '000 EUR



Profit Margin %



Net Margin %



2.1.2 *Profit & loss account*

2.1.2.1 Revenues

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

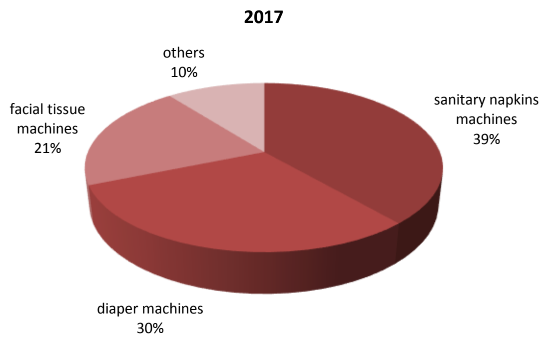
Revenues decreased by EUR 12,989 thousand or 43%, from EUR 30,406 thousand for the year ended on 31 December 2016 to EUR 17,417 thousand for year ended on 31 December 2017. The decrease of revenues was mainly the result of the economic transformation of China; the pressure from the economic downturn has brought about the decrease of the demand of production and the purchase of machineries. During the whole year of 2017, the sales generated from domestic areas have decreased continually and sharply, reflected in the sales amount of production, the dominated series of the production, sanitary napkins machine have decreased synchronously. While it should be noted that benefited from the overseas promotion, and the gap of the overseas market, especially such as India, the oversea sales and sales from trading companies increased comparatively.

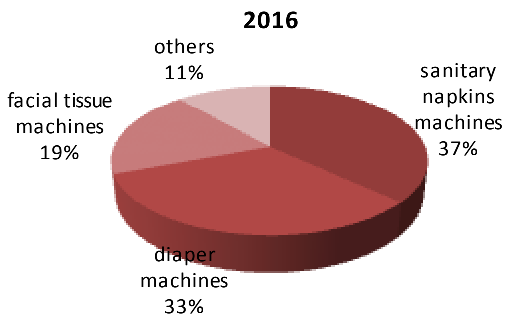
The cost of material increased dramatically in 2017, as well as the policy from environmental-friendly in China lead to a high cost for factories, it is on the processing for Peixin etc.

Revenues breakdown by segments

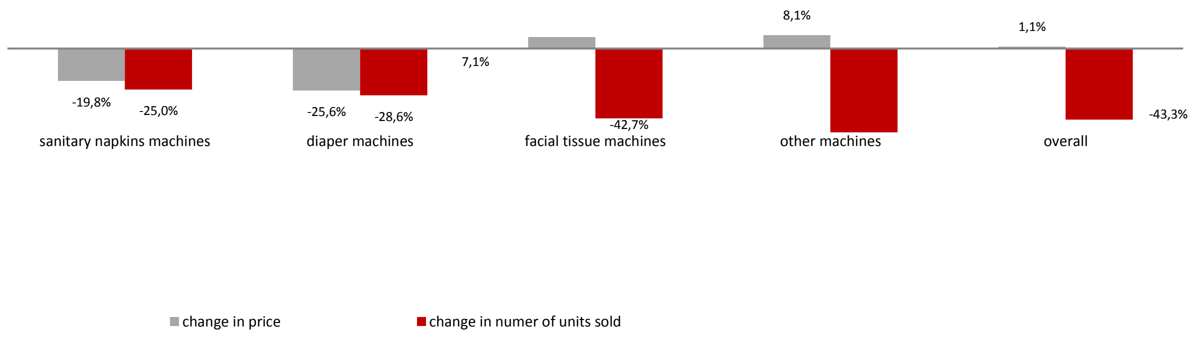
The following table presents the Group's revenues broken down into product categories for year 2017 and 2016.

	2017		**2016**		**Change in revenues**
	Unit	**'000 EUR**	**Unit**	**'000 EUR**	**%**
Sanitary napkins machines	21	6,718	28	11,167	-40
Diaper machines	15	5,269	21	9,908	-47
Facial tissue machines	160	3,589	279	5,844	-39
Other paper machines	63	1,841	129	3,487	-47
Total	**259**	**17,417**	**457**	**30,406**	**-43**





Sales breakdown by segments for year 2017and 2016 is presented on charts below



__Sales geographic breakdown__

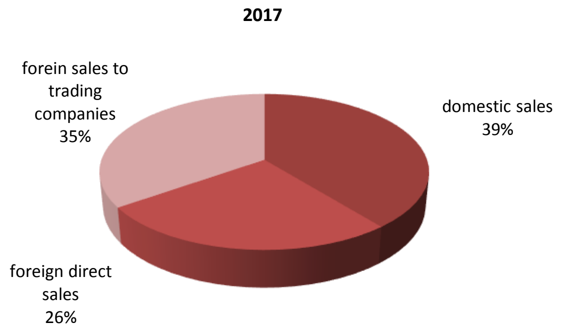
The Group distributes its products in China directly to its end users. The Group distributes its products internationally (i) through China-based trading companies that sell the Group's products on to customers and (ii) directly to international customers.

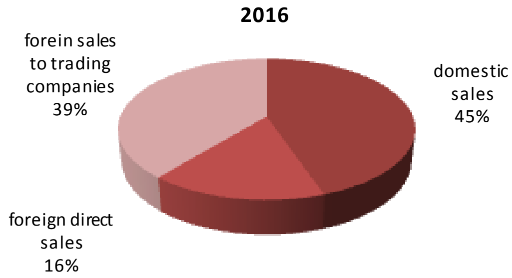
The following table presents the Group's revenues broken down by geographical split for year 2017and 2016

	2017	2016	Change
Revenue:	**'000 EUR**	**'000 EUR**	**%**
Direct sales			
- Mainland China	6,811	13,595	-50
- Outside Mainland China	4,558	4,958	-8
Sales to trading companies	6,048	11,853	-49
Total	**17,417**	**30,406**	**-43**

	2017	2016	Change
Number of units sold:			
Direct sales			
- Mainland China	112	180	-68
- Outside Mainland China	54	85	-31
Sales to trading companies	93	192	-99
Total	**259**	**457**	**-198**

Sales geographic breakdown for the year 2017 and 2016 is presented on charts below.





The proportion of the sales by areas changed largely was due to the decline of the domestic sales. The company has tried to maintain the sales level under the weak situation of the ecompmic in China, it resulted in the change of the weght of the domestic sales.

2.1.2.2 Cost of Goods Sold

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

	2017	**2016**	**Change**
	'000 EUR	**'000 EUR**	**%**
Changes in inventories of finished goods and work in progress	(1,550)	(4,303)	-64%
Materials consumed in production	12,805	23,693	-46%
- Glue machines and motors	4,107	7,518	-45%
- Steel	3,301	6,395	-48%
- Electric controllers	2,129	3,818	-44%
- Knife roller\cylinder	506	924	-45%
- Other components	2,260	4,195	-46%
- Auxiliary materials	502	843	-40%
Labor	1,370	2,038	-33%
Depreciation and amortization	537	1.057	-49%
Outsourced manufacturing cost	463	843	-45%
Taxes and surcharges *	143	334	-57%
Water and electricity	171	299	-43%
Others	75	92	-19%
Foreign currency translation difference	(121)	105	-518%
Total	13,892	24,083	-42

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

2.1.2.3 Gross profit

Gross profit decreased by EUR 2,798 thousand or 44.3%, from EUR 6,323 thousand in year 2016 to EUR 3,525 thousand in 2017.

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

	2017	**2016**	**Change**
Segment gross profit	**'000 EUR**	**'000 EUR**	**%**
Sanitary napkins machines	1,396	2,492	-44%
Diaper machines	1,132	2,150	-47%
Facial tissue machines	760	1,162	-35%
Other paper machines	237	518	-54%
Total	3,525	6,323	-44%

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

	2017	**2016**	**Change**
Segment gross margin	**%**	**%**	**p.p.**
Sanitary napkins machines	20.78	22.3	-6.9%
Diaper machines	21.48	21.7	-1.0%
Facial tissue machines	21.17	19.9	6.4%
Other paper machines	12.88	14.9	-13.4%
Total gross margin	20.24	20.8	-2.7%

With the decline of the economy, the company must give up much more sale margin to the downstream consumers, the company reduced the unit price of the machineries to get more orders. That was the one reason of the decrease of the gross margin. On the other hand, sanitary napkin machines were the high unit price and the durable properties. Some of the customers to maintain the old machines but not to buy new ones in the hard times. That resulted in fewer orders.

2.1.2.4 Other income/expenses

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

	2017	**2016**	**Change**
	'000 EUR	**'000 EUR**	**%**
Government grant	28	-	
Rental income	33	34	-4.2%
Sales of spare parts	64	60	6.7%
Total	125	94	32.9%

2.1.2.5 Distribution and Selling Expenses

The table below presents the distribution and selling expenses.

	2017	**2016**	**Change**
	'000 EUR	**'000 EUR**	**%**
Staff costs	639	551	16%
Marketing and advertising costs	551	529	4%
Post-sales services costs	411	358	15%
Traveling costs	65	44	48%
Depreciation	3	2	73%
Agency cost	53	41	30%
Others	176	154	15%
Total	1,899	1,678	13%

2.1.2.6 Administrative expenses

Administrative expenses increased by EUR 165 thousand or 13.0%, from EUR 1,265 thousand in year 2016 to EUR 1,430 thousand in 2017. The following table presents the Group's administrative expenses broken down into categories.

	2017	**2016**	**Change**
	'000 EUR	**'000 EUR**	**%**
Staff costs	487	423	15%
Depreciation and amortization charges	712	297	140%
Entertainment and office expenses	151	142	6%
Miscellaneous taxes	67	134	-50%
Others	13	269	-95%
Total	**1,430**	**1,265**	13%

2.1.2.7 Research and Development Expenses

Research and development expenses increased by EUR 577 thousand or 24.1%, from EUR 2,390 thousand in year 2016 to EUR 2,967 thousand in 2017.the R&D charge increased due to high cost of material.

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

	2017	2016	Change
	'000 EUR	**'000 EUR**	**%**
Materials	1,722	1,354	27%
Staff costs	614	557	10%
Depreciation charges	451	296	52%
Outsourced R&D	180	183	-2%
Total	2,967	2,390	24%

2.1.3 *Balance sheet*

2.1.3.1 Non-current assets

Property, plant and equipment

Property plant and equipment increased by EUR 3,857 thousand, or by 22.3%, from EUR 17,257 thousand as at 31 December 2016 to EUR 21,114 thousand as of the same period in 2017. The increase was mainly due to the input of the construction.

Prepaid lease payments

In 2017 the Company made prepayment for land use right of EUR 17,533 thousand. The prepayment is according to the investment plan assumed by the Company in 2016.

2.1.3.2 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 2017 and 31 December 2016.

	2017	2016	Change
	'000 EUR	**'000 EUR**	**%**
Raw materials and consumables	4,390	2,198	100%
Work in progress	6,207	4,218	47%
Finished goods	1,115	2,081	-46%
Total	11,738	**8,497**	38%

The level of particular segments: raw materials, work in progress and finished goods, depends on the timing of the orders placed by the clients and the performance of the material market.

The table below presents the raw material and consumables composition of the Group as at 31 December 2017 and 31 December 2016.

	2017	**2016**	**Change**
	'000 EUR	**'000 EUR**	**%**
Glue machines and motors	4,107	7,518	-45%
Steel	3,301	6,395	-48%
Electronic controllers	2,129	3,818	-44%
Knife roller/cylinder	506	924	-45%
Other components	2,260	4,195	-46%
Auxiliary materials	502	843	-40%
Total	**12,805**	**23,693**	**-46%**

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 decreased by EUR 2,906 thousand or 22.0%, from EUR 13,218 thousand as of 31 December 2016 to EUR 10,312 thousand as of 31 December 2017.

Bank balances and cash

Bank balances and cash decreased by EUR 4,984 thousand or 39.3%, from EUR 15,493 thousand as of 31 December 2016 to EUR 9,398 thousand as of 31 December 2017.

2.1.3.3 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 decreased by EUR 2,552 thousand or 64.0%, from 3,990 thousand as of 31 December 2016 to EUR 1,438 thousand as of 31 December 2017.

Indebtedness

The Company doesn't have any long term debt and short term debt as of 31 December 2017.

Advance from customers

Advance from customers decreased by EUR 93 thousand or 5.5%, from EUR 1,701 thousand as of 31 December 2016 to EUR 1,608 thousand as of 31 December 2017.

2.1.3.4 Non-current liability

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

2.1.4 *Cash flow*

	2017	2016
	‘000 EUR	**‘000 EUR**
net cash from operating activities	392	(1,376)
net cash from investing activities	(5,712)	(1,923)
net movement in cash and cash equivalents	**(5,320)**	**3,299**
- exchange difference	(775)	(791)
cash at the beginning of the period	**15,493**	**19,583**
cash at the end of the period	**9,398**	**15,493**

2.2 Key factors affecting operating and financial results

2.2.1 *Unusual items, one-off events*

Over the year of 2017 there were no unusual items ore one-off events which affected the Group’s operating and financial results.

2.2.2 *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 2017, no important events or transactions took place that are significant for the financial position of the Group.

2.2.3 *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.

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

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

2.2.5 *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 2017.

3. Risk factors

3.1 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 2017, 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 2015. 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.

3.2 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.

4. 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.

5. Dividend policy

On 11 May 2015, the Management Board of the Company decided to change Company's dividend policy descripted in the current report 13/2014. Intention of the Management Board was to allocate Company's consolidated net profit for 2014 for raising reserve capitals with the intention to finance investments (current report No. 7/2015). Also in 2016 the Management Board recommended to allocate Company's consolidated net profit for 2015 for raising reserve capitals with the intention to finance investments (current report No. 6/2016). In the 2017 the net loss of the Company amounted 2,801 thousand EUR.

6. Shareholders and shares

6.1 Share capital structure

As of 31 December 2017 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.

6.2 Major shareholders and shares

As of 31 December 2017 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%**

6.3 Issue of new shares

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

The Company didn't issue any new shares in 2017.

6.4 Changes in ownership of shares and rights to shares by Management Board members in the year ended 31 December 2016 and until the date of publication of the report

At the date of 31 December 2017, to the best of the Company's knowledge none of the Management Board members, other than Mr. Xie, held directly Company's shares or rights to shares.

6.5 Changes in ownership of shares and rights to shares by Supervisory Board members in the year ended 31 December 2016 and until the date of publication of the report

To the best of the Company's knowledge none of the Supervisory Board members held Company's shares or rights to shares at the date of 31 December 2017 and until the date of publication of this annual report and there was no changes in their shareholding or the number of rights to shares.

6.6 Special rights to control over the Company

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

7. 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.

7.1 Management Board

As of 31 December 2017 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

On 5 March 2017 the Supervisory Board of the Company nominated Mrs. Subi Huang for the function of CFO (Chief Financial Officer) and meanwhile the Member of the Management Board of the Company. Information on nomination was disclosed by the Company in the current report No. 2/2017.

7.2 Supervisory Board

As of 31 December 2017 the Supervisory Board was composed of the following members:

Name	Age	Position	Independent	Member since	Term	End of term
Liem Tsong Lucien Tjon	54	Member	Yes	10 September 2013	3 years	the date of the annual General Meeting in 2017
Zhanghe Du	46	Member	No	29 June 2016	2 years	the date of the annual General Meeting in 2017
Rongfu Wu	30	Member	No	10 September 2013	4 years	the date of the annual General Meeting in 2018

7.3 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.

8. Other information

8.1 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 2017. The permit is renewable. Corporate Governance

8.2 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.

9. Corporate Governance Rules

9.1 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.

9.2 Management and supervisory bodies and their committees

9.2.1 *Management Board*

As of 31 December 2017 the Management Board was composed of the following members:

name	**position**
Qiulin Xie	Chairman

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.

9.2.2 *Supervisory Board*

As of 31 December 2017 the Supervisory Board was composed of the following members:

name	**position**
Liem Tsong Lucien Tjon	Member
Zhanghe Du	Member
Rongfu Wu	Member

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

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

9.2.3 *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.

9.3 Application of Dutch Corporate Governance Code

9.3.1 *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.

9.4 Restrictions on the transfer of shares

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

9.5 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: MP.I. Investment Limited (wholly owned by Mr Qiulin Xie), Xinsheng Investment Holding Ltd - fully controlled by Mr Zhang Fan (Macau Resident), Jinyuan Investment Holding Ltd - fully controlled by Mr Li Meiqing (HK Resident).

9.6 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.

9.7 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.

9.8 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.

9.9 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.

9.10 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.

9.11 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.

9.12 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.

9.13 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.

9.14 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.

9.15 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.

9.16 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 2017, the Company did not meet these criteria at this moment entire Management 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.

10.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 Report for the year ended 31 December 2017 give a true and fair view of the assets, as well 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 2017 and the state affairs during the financial year to which the report relates,
- liabilities, financial position and profits and loss of the Company and its subsidiaries,
- the Annual Report describes the principal risk facing the Company. These are described in detail in this Director's Report.

30 April 2018, Amsterdam, The Netherlands

Management Board of the PEIXIN International Group N.V.

Qiulin Xie	Chief Executive Officer	— signed —

PEIXIN INTERNATIONAL GROUP N.V.

Report of the Supervisory Board

1. Meetings and activities of the PEIXIN's Supervisory Board in 2017

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.

2. Composition of the Supervisory Board

At 31 December 2017, the Supervisory Board was composed of the following members:

- Mr Liem Tsong Lucien Tjon;
- Mr Rongfu Wu; and
- Zhanghe Du

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 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 2017.

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 2015.

Zhanghe Du (44) educated with Bachelor of Architectural Engineering from Xiamen University. Since 2011 Mr Zhanghe DU has been taking charge of HR department in Fujian Peixin Machine Manufacture Industry Co. Ltd. Between 1996 – 2011 Mr. Zhanghe DU has gained reach experience working for several companies in Guangzhou and Shenzhen district, i.a. as: Administration Manager at Huiyang Huihe Electrical Development Co., LTD /2006.01 – 2008.12/, HR Director at Shenzhen Weixing International Co. Ltd. /2009.03 – 2010.08/, Production Manager at Dongguan Xincheng Zipper Factory /2010.11 – 2011.10/.

3. Committees of the Supervisory Board

10.1 Audit Committee

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

- Mr. Lien Tsong Lucien Tjon.

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 2016 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.

10.2 Remuneration Committee

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 2016 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.

10.3 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.

10.4 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.

10.5 Financial statements

The Management Board has prepared the 2016 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.

Liem Tsong Lucien Tjon	Member of the Supervisory Board	— signed —
Rongfu Wu	Member of the Supervisory Board	— signed —
Zhanghe Du	Member of the Supervisory Board	— signed —