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TOOLUX SANDING S.A.

Société Anonyme
Registered office: 69, Bd de la Petrusse
L - 2320 LUXEMBOURG

R.C.S. Luxembourg B-142.041

FINANCIAL YEAR 2008

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REVILUX S.A.

Réviseurs d'entreprises

REPORT OF THE REVISEUR D'ENTREPRISES

To the shareholders of
TOOLUX SANDING S.A.
69, Boulevard de la Petrusse
L-2320 LUXEMBOURG

Following our appointment by the management dated June 10th, 2009, we have audited the accompanying annual accounts of TOOLUX SANDING S.A., which comprise the balance sheet as at 31 December 2008 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the annual accounts.

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises.

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des réviseurs d'entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the



REVILUX S.A.

Réviseurs d'entreprises

reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of TOOLUX SANDING S.A. as of 31 December 2008, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

REVILUX S.A.
represented by

Claude FABER
Réviseur d'entreprises

Luxembourg, 30 June 2009

TOOLUX SANDING S.A.
 Société Anonyme
 R.C.S. Luxembourg B- 142.041
BALANCE SHEET
 December 31st, 2008
 (expressed in Euros)

ASSETS	2008
Formation expenses (note 3)	320.986,16
Financials assets (note 4)	8.245.413,00
Current assets	
Debtors (due and payable within one year) (note 5)	30.000,00
Cash at bank	293.525,41
	323.525,41
Prepayments	29.424,66
	8.919.349,23
LIABILITIES	
Capital and reserves (note 6)	
Subscribed capital	1.753.667,00
Share premium	4.678.500,53
Loss for the period	(21.655,40)
	6.410.512,13
Creditors (due and payable within one year)	2.508.837,10
	8.919.349,23

The accompanying notes form an integral part of the annual accounts.

TOOLUX SANDING S.A
Société Anonyme
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PROFIT AND LOSS ACCOUNT
For the period from October 2nd, 2008 to December 31st, 2008
(expressed in Euros)

	2008
CHARGES	
Value adjustment in respect of formation expenses (note 3)	4.226,48
Other operating charges	35.691,92
Interest and similar charges	<u>200,00</u>
	<u>40.118,40</u>
 INCOME	
Interest and similar income	18.463,00
Loss for the period	<u>21.655,40</u>
	<u>40.118,40</u>

The accompanying notes form an integral part of the annual accounts

TOOLUX SANDING S.A
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R.C.S. Luxembourg B-142.041
NOTES ON THE ACCOUNTS
December 31st, 2008
(expressed in Euros)

NOTE 1 - GENERAL

Toolux Sanding S.A. (the "Company") was incorporated on October 2nd, 2008 as a public limited company for an unlimited period under the law of the Luxembourg Companies Act.

The purpose of the company is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies and any other form of investment, the acquisition by purchase, subscription or in any other manner as well as the transfer by sale, exchange or otherwise of securities of any kind and the administration, control and development of its portfolio.

The company may further guarantee, grants loans or otherwise assists the companies in which it holds a direct or indirect participation or which form part of the same group of companies as the Company.

The Company may also carry out any commercial, industrial or financial activities which it may deem useful in accomplishment of these purposes.

The registered office of the company is established in Luxembourg.

The accounting year begins on January 1 and ends on December 31 with the exception of the first accounting year which started at the date of incorporation and ended on December 31st, 2008.

The Company is listed on the Alternext Stock Exchange in France.

The Company has acquired the control of SHAOXING SANDING TOOL CO LTD on 24 December 2008.

According to article 313 of the Luxembourg law on commercial companies, the Company is not required to prepare consolidated accounts with respect to the financial year 2008.

Although no consolidated accounts for the year 2008 will be prepared and published, the balance sheet and the profit and loss accounts of SHAOXING SANDING TOOL CO LTD prepared in agreement with the International Financial Reporting Standards (IFRS) are presented in the note 10.

Starting 2009, consolidated accounts under International Financial Reporting Standards (IFRS) as published in the International Standard Board (IASB) and adopted by the European Union will be prepared.

These accounts have been audited by Revilux S.A., 223, Val Ste Croix L-2018 Luxembourg.

The Board of Directors is composed by Mr. XU Xueming, Mr. XU Jinan and Mr. XU Zhiming.

TOOLUX SANDING S.A
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NOTES ON THE ACCOUNTS
December 31st, 2008
(expressed in Euros)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The annual accounts are prepared in accordance with the generally accepted accounting principles and regulations in force in the Grand Duchy of Luxembourg.

Foreign currency translation

The Company maintains its accounting records in Euro (EUR). Assets and liabilities denominated in other currencies are translated into EUR at the rates prevailing at the balance sheet date with the exception of financial assets, which are stated at historical cost. Income and expense transactions are recorded at the rates prevailing at the dates of transactions. Realised gains and losses as well as unrealised losses are reflected in the profit and loss account.

Formation expenses

Formation expenses are value at cost and are depreciated over a period of 5 years on a straight line basis.

Financial assets

Financial assets are stated at acquisition cost less any permanent diminution in value. Dividends are recorded when declared.

NOTE 3 - FORMATION EXPENSES

	2008
Cost at the beginning of the period	0,00
Additions	325.212,64
Cost at the end of the period	<u>325.212,64</u>
Value adjustment at the beginning of the period	(0,00)
Value adjustment of the period	(4.226,48)
Value adjustment at the end of the period	<u>(4.226,48)</u>
Net value at December 31, 2008	EUR <u>320.986,16</u>

TOOLUX SANDING S.A
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NOTES ON THE ACCOUNTS
 December 31st, 2008
 (expressed in Euros)

NOTE 4 - FINANCIAL ASSETS

	2008
Cost at the beginning of the period	0,00
Additions	<u>8.245.413,00</u>
Cost at the end of the period	<u>8.245.413,00</u>
 Value adjustment at the beginning and end of the period	 <u>(0,00)</u>
 Cost at the end of the period	 EUR <u>8.245.413,00</u>

On December 2nd, 2008 the Company acquired 100% of the shares of GIANT DRAGON HOLDINGS LTD, established in Samoa at Level 2, Nia Mall, Vaea Street, Apia (see note 6)

On December 24th, 2008 the Company acquired 100% of the shares of SHAOXING SANDING TOOL CO LTD (Republic of China) in the amount of USD 2.998.000,- (EUR 2.145.413,-).

At the same date, the company increase of the capital of SHAOXING SANDING TOOL CO LTD (Republic of China) for an amount of USD 7.287.799,- (EUR 5.100.000,-). The registered office is Ganlin Industry Park, Shengzhou City in Zheijiang Province.

As at December 31st, 2008, the Company held

- o 100% of GIANT DRAGON HOLDINGS LTD
- o 100% of SHAOXING SANDING TOOL CO LTD (Republic of China)

In the opinion of the management, there is no permanent impairment in value of the investment and accordingly, no value adjustment has been recorded as of December 31st, 2008.

NOTE 5 –DEBTORS (due and payable within one year)

	2008
Other debtors	<u>30.000,00</u>
	EUR <u>30.000,00</u>

TOOLUX SANDING S.A
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NOTES ON THE ACCOUNTS
December 31st, 2008
(expressed in Euros)

NOTE 6 - CAPITAL AND RESERVES

Subscribed capital

On October 2nd, 2008 the company was incorporated with a capital of EUR 350.000,- represented by 350.000 shares of a par value of EUR 1,-.

On October 13rd, 2008, the shareholders decided to increase the corporate capital for an amount of EUR 1.000.000,- by the issue of 1.000.000 shares with a par value of EUR 1,- through a contribution in kind consisting of shares in a company incorporated in Samoa in the amount of EUR 1.000.000,- (see note 4)

On December 18th, 2008 the shareholders decided to increase the corporate capital for an amount of EUR 403.667,- by the issue of 403.667 shares with a par value of EUR 1,- and a share premium of EUR 11,59 by share. All these shares (and the share premium amounting to EUR 4.678.500,53) have been paid up in cash.

As at December 31st, 2008 the Company has a subscribed capital of EUR 1.753.667,- divided into 1.753.667 shares with a par value of EUR 1 each, fully paid-in.

Legal reserve

Luxembourg companies are required to appropriate to a legal reserve a minimum of 5 % of the net profit for the year, until this reserve equals 10 % of the subscribed capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the life of the Company. The appropriation to legal reserve is effected after approval at the general meeting of shareholders.

NOTE 7 - TAXES

The Company is subject to all taxes applicable to Luxembourg commercial companies.

NOTE 8 – REMUNERATION AND LOANS GRANTED TO DIRECTORS

The Company did not grant any remunerations, loans and/or pension plans to its Directors for the year ended December 31, 2008.

NOTE 9 – GUARANTEES AND COMMITMENTS

As at December 31, 2008, the Company did not grant and/or receive any guarantees and is not engaged in commitments towards third parties.

**NOTE 10 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE SUSIDIARY
SHAOXING SANDING TOOL CO. LTD AS AT 31 DECEMBER 2008 PREPARED IN
AGREEMENT WITH IFRS.**

SHAOXING SANDING TOOL CO. LTD
Registered office : Zone industrielle du village GANLIN – SHENGZHOU (Chine)
Unaudited Consolidated Balance sheet
December 31st, 2008
(expressed in EUR)

31 December 2008 (€)

CURRENT ASSETS :	13 065 056
Cash	6 992 825
Accounts receivables	2 232 237
Other receivables	2 879 776
Advance to suppliers	535 899
Inventories	424 319
FIXED ASSETS :	4 957 020
Fixed assets (original cost)	6 317 326
Accumulated assets	1 360 306
INTANGIBLE ASSETS :	381 480
LONG TERM PREPAID ASSETS :	30 014
DEFFERED TAXES :	39 347
TOTAL ASSETS :	18 472 917
CURRENT LIABILITIES :	8 358 196
Short term loans	3 054 046
Notes payables	2 000 927
Accounts payables	1 331 304
Accounts advanced from customers	163 141
Welfare benefit payables	234 461
Dividends payables	1 186 865
Taxes payables	256 836
Other levies payables	4 268
Other payables	126 348
OWNERS EQUITY :	10 114 721
Registered capital	6 741 914
Statutory accumulation reserve	677 969,97
Undistributed profits	2 688 717,56
Exchange difference	6 119

SHAOXING SANDING TOOL CO. LTD
Registered office : Zone industrielle du village GANLIN – SHENGZHOU (Chine)
Unaudited Consolidated Income Statement
December 31st, 2008
(expressed in EUR)

31 December 2008 (€)

Sales of main operations	8 466 645
Cost of main operation	6 060 823
Sales and tax addition	12 793
Gross Profit	2 393 029
Income from other operation	103 482
Selling expenses	333 853
General & Adm expenses	1 779 520
Financial expenses	198 568
Operating income	184 570
Subsidiary income	7 335
Non operating income	62 651
Non operating expenses	77 891
Income before tax	176 664
Income tax	96 976
Net income	79 688