

TOOLUX SANDING S.A.

Société anonyme

Registered office: 69, boulevard de la Petrusse

L-2320 Luxembourg

R.C.S. Luxembourg B 142.041

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF THE *REVISEUR D'ENTREPRISES AGREE*
December 31, 2009**

- **CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2009**
- **REPORT OF THE *REVISEUR D'ENTREPRISES AGREE* ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009**
- **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT DECEMBER 31, 2009**
- **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2009**
- **CONSOLIDATED STATEMENT OF CASH FLOWS AS AT DECEMBER 31, 2009**
- **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2009**
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TOOLUX SANDING SA

**Consolidated annual report
Prepared as at and for the Year Ended
31 December 2009**

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1 General information

TOOLUX SANDING SA (the Parent company) and its subsidiaries (the Group) represent a Chinese group whose main activity is manufacturing and processing of Hand tools, hardware tools.

The registered office is located at 69, boulevard de la Petrusse, L-2320, since May 15th, 2009.

The company was incorporated on October 2nd, 2008 as a Société Anonyme with a fully paid share capital of EUR 350 000.

On October 13th, 2008, the directors increased, by a contribution in kind, the capital of the Company by EUR 1 000 000 to bring it from EUR 350 000 to EUR 1 350 000 by the issuance of 1 000 000 new shares with a nominal value of EUR 1 each.

The contribution in kind was represented by 100 % of the share capital of Giant Dragon Holdings Ltd (Samoa), a company incorporated in Samoa on 17th January 2007 with registered number 30466 and located at Level 2, Nia Mall, Vaea Street, Apia, Samoa. The contribution in kind value is based on Giant Dragon Holdings Ltd net asset value as at June 30, 2008.

On December 23rd, 2008, in connection with the admission of the Company on Alternext Market of Euronext Paris, the board of directors realized an increase of the issued share capital paid up in cash to bring it from EUR 1 350 000 to EUR 1 753 667 (1 753 667 shares of EUR 1 each). The total amount of the contribution is five million eighty-two thousand one hundred and sixty seven euros fifty three cents (EUR 5 082 167,53) represented by four hundred and three thousand six hundred and sixty seven euros (EUR 403 667) for the capital and four million six hundred and seventy-eight thousand five hundred euros fifty three cents (EUR 4 678 500,53) for the share premium.

On December 2nd, 2008, the company acquired from Giant Dragon Holdings Ltd acquired, for a consideration of USD 2 998 000, 100 % of the share capital of Shaoxing Sanding Tools Ltd, a Chinese company with registered office at Industrial Park, Ganlin Town, Shenghzou City, Zhejiang Province, China.

The main activities of Shaoxing Sanding Tolls and its subsidiary, Zhejiang Sanding Tools are the manufacturing and selling of plastic and metal tools.

2 Research and development

The companies of the Group carry out no independent research. The companies cooperate on the utilisation of the potential of its technical equipment and specialised staff.

3 Environmental protection

Given the nature of its production, the companies strive to protect the health of its employees and protect the environment. The condition of the premises of the companies of the Group is monitored on an ongoing basis with respect to potential environmental findings.

4 Labour relations

The companies of the Group comply with all legal standards in China. All our employees are regularly trained about work safety. The companies of the Group support the further education of its employees.

5 Organizational component abroad

The parent company does not have organizational component abroad.

6 Assessment of the year 2009

The sales of the Group had mainly been realized by the Chinese subsidiaries, Zhejiang Sanding Tool Co., Ltd and Shaoxing sanding Tool Co., Ltd.

As of December 31st, 2009, the principal figures of the consolidated income statement are:

Sales of main operation :	EUR	9.147.342
Gross profit :	EUR	2.282.568
Operating income :	EUR	147.537
Profit before tax :	EUR	1.351.021
Net income :	EUR	3.910.759

7 Supposed development

During 2010 financial year, despite the economic crisis, the Group plan to increase its revenues with the development of new markets.

8 The companies of the Group

The companies of TOOLUX SANDING SA are :

Country of incorporation	Name	Address
Luxembourg	Toolux Sanding SA	69, Bvd de la Petrusse, L 2320 Luxembourg
PRC	Toolux Sanding Tools	Shengzhou City, Zhejiang, China
PRC	Zhejiang Sanding Tools	Shengzhou City, Zhejiang, China
PRC	Shengzhou Sanding Shanglu	Shengzhou City, Zhejiang, China
PRC	Shengzhou Sanding Business Travelling Services	Shengzhou City, Zhejiang, China
Samoa	Giant Dragon	Level 2, Nia Mall, Vaea Street, Apia, Samoa

9 Events after balance sheet date

The Group had no significant post balance events.

Approval of consolidated annual report

These Consolidated annual report were approved by the board of directors and authorised for issue on September 16th, 2010.

TOOLUX SANDING SA

By Mr Shaohui ZHANG

Director



To the Shareholders of
TOOLUX SANDING S.A.
69, boulevard de la Petrusse
L-2320 Luxembourg

REPORT OF THE *REVISEUR D'ENTREPRISES* AGREE

Report on the consolidated financial statements

Following our appointment by the board of directors, we have audited the accompanying consolidated financial statements of TOOLUX SANDING S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31st, 2009, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements 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 agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted in Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the *réviseur d'entreprises*, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of TOOLUX SANDING S.A. as of December 31st, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal requirements

The consolidated management report, which is the responsibility of the board of directors, is consistent with the consolidated financial statements.

Alzingen, September 16th, 2010

Compagnie Luxembourgeoise des Auditeurs Réunis (CLAR) S.A.

Cabinet de révision agréé



Robert ZAHLEN

Directeur

Réviseur d'entreprises agréé

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2009 to December 31, 2009	From October 2, 2008 to December 31, 2008
SALES OF MAIN OPERATIONS	IV(II) (1)	9 147 342	0
Less: cost of main operations	IV(II) (2)	-6 847 434	0
GROSS PROFIT		2 299 908	0
Add: Income from other operations	IV(II) (3)	128 364	0
Less: Selling expenses	IV(II) (4)	-334 160	0
General and administrative expenses	IV(II) (5)	1 838 059	353 294
Financial expenses	IV(II) (6)	91 176	7 810
OPERATING INCOME		164 877	-361 104
Investment income (loss expressed with "-")		1 981	0
Non-operating income	IV(II) (7)	1 221 791	0
Less: Sales tax and additions		-17 340	0
Less: Non-operating expenses	IV(II) (8)	-20 288	0
PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")		1 351 021	-361 104
Badwill	IV(II) (10)		2 911 542
Less: Income tax	IV(II) (9)	-307 585	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1 043 436	2 550 438
PROFIT PER SHARE (BASIC AND DILUTED)		0,60	1,45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1, 2009 to December 31, 2009

TOOLUX SANDING SA

ITEMS	NOTE	December 31, 2009	December 31, 2008
NON CURRENT ASSETS :			
Property, plant and equipment	IV(I) 6	6 251 830	6 317 327
Less: Accumulated depreciation	IV(I) 6	-1 700 492	-1 360 306
Property, plant and equipment (net value)	IV(I) 6	4 551 338	4 957 021
Construction in progress	IV(I) 7	1 632 500	0
Intangible assets	IV(I) 8	717 898	381 480
Investments in associates	IV(I) 9	45 341	0
Long-term prepaid assets		34 967	30 014
Deferred tax assets	IV(I) 10	40 055	39 347
TOTAL NON CURRENT ASSETS		7 022 099	5 407 862
CURRENT ASSETS:			
Inventories	IV(I) 5	759 242	424 319
Trade debtors	IV(I) 2	2 075 245	2 291 662
Other receivable	IV(I) 3	2 670 874	2 879 776
Advances to suppliers	IV(I) 4	1 851 158	535 899
Cash and cash equivalents	IV(I) 1	3 770 424	7 291 818
TOTAL CURRENT ASSETS		11 126 943	13 423 474
TOTAL ASSETS		18 149 042	18 831 336
CURRENT LIABILITIES:			
Bank borrowings	IV(I) 11	3 660 396	3 054 046
Notes payable	IV(I) 12	508 388	2 000 927
Trade creditors	IV(I) 13	1 696 152	1 710 186
Advances received from customers	IV(I) 14	249 345	163 141
Welfare benefits payable		215 705	234 461
Taxes payable	IV(I) 15	320 951	256 836
Other levies payable	IV(I) 16	2 778	4 137
Other payable	IV(I) 17	1 669 974	2 288 379
TOTAL CURRENT LIABILITIES		8 323 689	9 712 113
OWNERS'/SHAREHOLDERS' EQUITY			
Subscribed capital	IV(I) 18	1 753 667	1 753 667
Other reserves		8 290 772	7 247 402
Exchange differences on translating foreign operations		-254 735	118 154
TOTAL OWNERS' EQUITY		9 789 704	9 119 223
Non-controlling interests		35 649	
TOTAL LIABILITIES & OWNERS' EQUITY		18 149 042	18 831 336

CONSOLIDATED STATEMENT OF CASH FLOWS (euros)

ITEMS	31 December 2009	31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	1 351 021	2 550 438
Adjustements for :		
Exchange difference	-133 997	
Badwill		-2 911 542
Impairment loss for doubtful accounts	119 929	
Depreciation of property, plant and equipment	399 780	
Interest expenses	418 333	
Other	-14 628	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	2 140 438	-361 104
WORKING CAPITAL CHANGES		
Trade debtors	77 272	
Other receivable	57 898	
Advances to suppliers	-1 377 339	
Inventories	-360 990	
Deferred taxes	-2 134	
Notes payable	-1 470 006	378 881
Accounts payable	354 794	-59 425
Advances from customers	94 835	
Welfare benefit payable	-11 013	
Taxes payable	60 672	
Other levies payable	-1 386	
Other payable	-836 160	3 005
CASH FROM OPERATING ACTIVITIES	-1 273 119	-38 643
Income tax	-307 585	0
NET CASH FROM OPERATING ACTIVITIES	-1 580 704	-38 643
INVESTING ACTIVITIES		
Capital increase		5 082 168
Impact scope variation		1 898 293
Long term equity investment	-46 823	
Purchase of property, land and equipment	-157 495	
Intangible assets	-361 007	
Construction in progress	-1 685 850	
Long term prepaid assets	-6 185	
NET CASH FROM INVESTING ACTIVITIES	-2 257 360	6 980 461
FINANCING ACTIVITIES		
Short term loans received	3 780 016	
Short term loans repaid	-3 045 013	
Interest expenses	-418 333	
NET CASH FROM INVESTING ACTIVITIES	316 670	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-3 521 394	6 941 818
CASH AND CASH EQUIVALENTS END OF YEAR	3 770 424	7 291 818
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	7 291 818	350 000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-3 521 394	6 941 818

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IN EUROS)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
Opening balance as 2th October, 2008	-	-	-	-	-
Incorporation October 2, 2008	350 000				350 000
Capital increase October 13, 2008	1 000 000				1 000 000
Capital increase December 18, 2008	403 667	4 696 964			5 100 631
Exchange difference			118 154		118 154
Net profit for the year/period		2 550 438			2 550 438
Balance as at 1th January 2009	1 753 667	7 247 402	118 154		9 119 223
Exchange difference			-372 889		-372 889
Net profit for the year/period		1 043 370			1 043 370
Minority interests				35 649	35 649
Balance as at 31 December 2009	1 753 667	8 290 772	-254 735	35 649	9 825 353