B.C.R.H. & Associés

Société d'Expertise Comptable
et de Commissariat aux Comptes

Toolux Sanding SA

3B, boulevard du Prince Henri
L-1724 Luxembourg
RCS Luxembourg B 142 041

INDEPENDENT AUDITOR'S REVIEW REPORT

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF TOOLUX SANDING SA AS AT 31 DECEMBER 2010

To the shareholders of Toolux Sanding SA,

Following the Company's request, we have audited the accompanying consolidated financial statements of Toolux Sanding SA (" the Company ") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at December 31st 2010, 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.

Director's responsibility for the financial statements

The directors of the Company are 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 consolidated 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statement based on our audit. We conducted our audit in accordance with International Standards of Auditing. 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 auditor, 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 auditor 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 effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and yhe 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 SA, as of December 31st, 2010 and of its financial performance and of its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

However, we draw your attention on the facts exposed paragraphs IV (1) 3 (1) and VIII of the following notes of the consolidated financial statements.

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.

Paris, October 21th, 2011

BCRH & Associés

Société d'Expertise Comptable et de Commissariat aux Comptes

François Sors
Associé

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2010 to December 31,2010	From January 1, 2009 to December 31,2009
SALES OF MAIN OPERATIONS	IV(II) (1)	10 515 815	9 147 342
Less:cost of main operations	IV(II) (2)	-7 751 813	-6 847 434
GROSS PROFIT		2 764 002	2 299 908
Add: Income from other operations	IV(II) (3)	175 607	128 364
Less: Selling expenses	IV(II) (4)	-569 508	-334 160
Less: General and administrative expenses	IV(II) (5)	-1 872 153	-1 838 059
Less: Financial expenses	IV(II) (6)	-71 483	-91 176
OPERATING INCOME		426 465	164 877
Investment income(loss expressed with "-")		-25 790	1 981
Non-operating income	IV(II) (7)	65 493	1 221 791
Less:Sales tax and additions		-19 008	-17 340
Less:Non-operating expenses	IV(II) (8)	-17 032	-20 288
PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")		**430 128**	**1 351 021**
Badwill	IV(II) (10)		
Less: Income tax	IV(II) (9)	-134 726	-307 585
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**295 402**	**1 043 436**
PROFIT PER SHARE (BASIC AND DILUTED)		0,17	0,60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(euros)

From January 1,2010 to December 31, 2010

TOOLUX SANDING SA

ITEMS	NOTE	December 31,2010	December 31,2009
NON CURRENT ASSETS :			
Property, plant and equipment	IV(I) 6	*7 391 815*	*6 251 830*
Less:Accumulated depreciation	IV(I) 6	*-2 314 998*	*-1 700 492*
Property, plant and equipment (net value)	IV(I) 6	5 076 817	4 551 338
Construction in progress	IV(I) 7	2 582 268	1 632 500
Intangible assets	IV(I) 8	807 272	717 898
Investements in associates	IV(I) 9	0	45 341
Long-term prepaid assets		52 797	34 967
Deferred tax assets	IV(I) 10	43 655	40 055
TOTAL NON CURRENT ASSETS		**8 562 809**	**7 022 099**
CURRENT ASSETS:			
Inventories	IV(I) 5	786 115	759 242
Trade debtors	IV(I) 2	1 954 675	2 075 245
Other receivable	IV(I) 3	11 888 222	2 670 874
Advances to suppliers	IV(I) 4	1 988 229	1 851 158
Cash and cash equivalents	IV(I) 1	5 701 216	3 770 424
TOTAL CURRENT ASSETS		**22 318 457**	**11 126 943**
TOTAL ASSETS		**30 881 266**	**18 149 042**
CURRENT LIABILITIES:			
Bank borrowings	IV(I) 11	9 408 297	3 660 396
Notes payable	IV(I) 12	5 100 884	508 388
Trade creditors	IV(I) 13	1 677 647	1 696 152
Advances received from customers	IV(I) 14	1 075 760	249 345
Welfare benefits payable		289 050	215 705
Taxes payable	IV(I) 15	330 529	320 951
Other levies payable	IV(I) 16	3 496	2 778
Other payable	IV(I) 17	1 808 333	1 669 974
TOTAL CURRENT LIABILITIES		**19 693 996**	**8 323 689**
OWNERS'/SHAREHOLDERS' EQUITY			
Subscribed capital	IV(I) 18	1 753 667	1 753 667
Other reserves		8 586 174	8 290 772
Exchange differences on translating foreign operations		806 807	-254 735
TOTAL OWNERS' EQUITY		**11 146 648**	**9 789 704**
Non-controlling interests		40 622	35 649
TOTAL LIABILITIES & OWNERS' EQUITY		**30 881 266**	**18 149 042**

CONSOLIDATED CASH FLOW STATEMENT (euros)

ITEMS	31 December 2010	31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	430 128	1 351 021
Adjustements for :		
Exchange difference	-294 291	-133 997
Impairement loss for doubtful accounts	-35 629	119 929
Depreciation of property, plant and equipment	443 169	399 780
Interest expenses	74 239	418 333
Other	0	-14 628
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**617 616**	**2 140 438**
WORKING CAPITAL CHANGES		
Trade debtors	343 519	77 272
Other receivable	-9 352 951	57 898
Advances to suppliers	75 491	-1 377 339
Inventories	60 309	-360 990
Deferred taxes	1 000	-2 134
Notes payable	4 534 059	-1 470 006
Accounts payable	-197 275	354 794
Advances from customers	797 784	94 835
Welfare benefit payable	48 576	-11 013
Taxes payable	-27 269	60 672
Other levies payable	399	-1 386
Other payable	994 514	-836 160
CASH FROM OPERATING ACTIVITIES	**-2 104 228**	**-1 273 119**
Income tax	**-134 726**	**-307 585**
NET CASH FROM OPERATING ACTIVITIES	**-2 238 954**	**-1 580 704**
INVESTING ACTIVITIES		
Capital increase	0	0
Impact scope variation	0	0
Long term equity investment	51 681	-46 823
Purchase of property, land and equipment	-422 109	-157 495
Intangible assets	-21 122	-361 007
Construction in progress	-762 313	-1 685 850
Long term prepaid assets	-26 795	-6 185
Sales of Shares (Shangheng)	51 020	0
loss of investissement	46 032	0
NET CASH FROM INVESTING ACTIVITIES	**-1 083 606**	**-2 257 360**
FINANCING ACTIVITIES		
Short term loans received	9 408 297	3 780 016
Short term loans repaid	-4 080 707	-3 045 013
Interest expenses	-74 239	-418 333
NET CASH FROM INVESTING ACTIVITIES	**5 253 352**	**316 670**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1 930 792**	**-3 521 394**
CASH AND CASH EQUIVALENTS END OF YEAR	**5 701 216**	**3 770 424**
CASH AND CASH EQUIVALENTS BEGINING OF YEAR	**3 770 424**	**7 291 818**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1 930 792**	**-3 521 394**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITITY

(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
Opening balance as 2th October, 2008	-	-	-	-	-
Capital increase october 13, 2008	1 350 000				1 350 000
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 1th January 2010	**1 753 667**	**8 290 772**	**-254 735**	**35 649**	**9 825 353**
Exchange difference			1 061 542		1 061 542
Net profit for the year/period		295 402			295 402
Minority interests				4 973	4 973
Balance as at 31 December 2010	**1 753 667**	**8 586 174**	**806 807**	**40 622**	**11 187 270**

Toolux Sanding SA
Notes to the Consolidated Financial Statements for the financial year ended December 31, 2010

I. General Information

The consolidated financial statements of Toolux Sanding SA ("the Company") and its subsidiaries (collectively referred as "the Group") are prepared for the twelve months period ended December 31, 2010.

The registered office is located at 3B, boulevard du Prince Henri, L-1724 Luxembourg.

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

On 13th October 2008, the directors increased, by a contribution in kind, the capital of the Company by 1 000 000 euros to bring it from 350 000 euros to 1 350 000 euros by the issuance of 1 000 000 new shares with a nominal value of 1 euro 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 was based on Giant Dragon Holdings Ltd net asset value as at June 30, 2008.

On December 17, 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 1 350 000 Euros to 1 753 667 Euros (1 753 667 shares of 1 euro each). The total amount of the contribution is five million eighty-two thousand one hundred and sixty seven Euros fifty three cents (EUROS 5 082 167,53) represented by four hundred and three thousand six hundred and sixty seven Euros (403 667) for the capital and four million six hundred and seventy-eight thousand five hundred euro fifty three cents (4 678 500,53 Euros) for the share premium.

On December 2, 2008, the company acquired from Giant Dragon Holdings Ltd, for a consideration of 2 998 000 usd, 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 principal activities of Shaoxing Sanding Tools and of its subsidiary, Zhejiang Sanding Tools are the manufacturing and selling of plastic and metal tools.

II. Basis of preparation

Basis of accounting

The consolidated financial statements for the financial year starting on January 1, 2010 and ended December 31, 2010 were prepared on the basis of reviewed financial statements of the following companies :

- Toolux Sanding SA (the company)
- Shaoxing Sanding Tools Ltd (People's Republic of China subsidiary) ;
- Zhejiang Sanding Tools Ltd (People's Republic of China subsidiary) ;
- Shengzhou Sanding Business Travelling Services Co Ltd (People's Republic of China subsidiary) ;

The consolidated financial statements of the Group, expressed in euros, have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgments, estimate and assumptions, if any, that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Foreign Currency Translation

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the subsidiaries is Renminbi ("RMB") whereas the consolidated financial statements are presented in euros, which is the Group's presentation currency.

The subsidiaries' transactions in foreign currencies are converted at the market exchange rate published by People's Bank of China on the transaction date. The ending balances of various foreign currency accounts are adjusted per the exchange rate (the medium rate) prevailing at the last month of the period.

The financial statements of the overseas subsidiaries are translated into the Group's presentation currency using the year end rate for the balance sheet items (1 Euro=8.822 Rmb as of December 31, 2010, 1 Euro = 9.835 Rmb as of December 31, 2009,) and the average rate of exchange for the income statements items (, 1 Euro=8.978539Rmb for the year 2010, 1Euro = 9.523785 Rmb for the year 2009). Exchange differences are dealt with as a movement exchange reserve accounted for in equity.

III. Summary of significant accounting policies

Consolidation

All inter-company balances and significant inter-company transactions and resulting unrealized profits or losses are eliminated on the consolidation and the consolidated financial statements reflect external transactions and balances only.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired and liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Group Structure

All subsidiaries of the group are consolidated following the global integration method and all the reporting dates are the same as the reporting date used for the consolidated financial statements (31 December 2010).

The hold interest of the Company in fully consolidated companies is:

Company	Country	% of interest	% of votes
Shaoxing Sanding Tools Ltd	People's Republic of China	100%	100%
Zhejiang Sanding Tools Ltd	People's Republic of China	100%	100%
Shengzhou Sanding Business Travelling Services Co	People's Republic of China	90%	90%

Cash and cash equivalents

Cash equivalents are investments which are characterized by a short maturity (generally mature within 3 months since the date of purchase), strong liquidity, ready convertibility and low volatility.

Trade and other receivable

Trade and other receivable that have fixed determinable payments that are not quoted in an active market are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition trade and other receivable are measured at amortized cost using the effective interest method, less any impairment.

The accounts are considered as bad debts by Group's management within its authority.

The loss of bad debts of the Company is accounted with allowance method, in which the allowance is allocated to offset the loss arising from bad debts.

The range for allowance accounting of bad debts includes the accounts receivable and other receivable.

Trade and other payable

Trade and other payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and service received.

Trade and other payable that have fixed determinable payments that are not quoted in an active market are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition trade and other payable are measured at amortized cost using the effective interest method, less any impairment.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Inventories include the finished products or commodities that are reserved for sale during production and operating activities, or the in-process materials that are under production for sale, or the materials that are consumed during production, operating and R&D activities.

Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, direct labor costs, other direct costs and related production overhead expenses but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Depreciation of property, plant and equipment

Property, plant and equipment are booked at their initial cost less accumulated depreciation and impairment losses. The initial cost comprises the purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use.

Property, plant and equipment are depreciated on a straight-line basis over their estimate useful lives. Management estimates that the useful lives of these property, plant and equipment to be within 5 to 30 years.

The depreciation rate is based on the initial costs and estimated economic useful lives of all fixed assets after being reduced by the estimated residual value of 5%.

The estimated residual value and annual depreciation rates of each fixed asset category are as bellow:

Category	Year of Depreciation	RV (%)	Annual Depreciation Rate (%)
House & buildings	5-20	5	19 - 4,75
Machinery	5-10	5	19 – 9,5
Office facilities	5-10	5	19 – 9,5
Vehicles	5	5	19
Other Equipments	5	5	19

Impairment of non financial assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss, if any, is recognized when the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are charged in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognized for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined of no impairment loss had been recognized.

A reversal of an impairment loss is credited as income in the income statements.

Construction in Progress

The estimated value of the construction in progress is transferred into the fixed assets per its actual cost upon its reaching readiness for use.

At the period end, if one or more of the following cases occur, the provision for construction-in-progress devaluation will be allocated, based on the difference of the recoverable value of a single item of construction in progress less its book value:

- The construction in progress is suspended for a long time and will not be completed in three years;

- The project is outdated in terms of technique and functions and uncertain in terms of profitability for the Company;

- Other cases of devaluation of the construction in progress with sufficient evidences.

Intangible Assets

The intangible assets refer to the land-use rights, trademark rights, property rights and software related to the production that have been obtained by the Company. The intangible assets are accounted at actual cost when acquired, of which the purchased intangible assets are accounted for based upon the actual payments and the intangible assets invested by the investors are accounted for based upon the values rationally assessed

The intangible assets are amortized in equal installments over their expected useful life. In the event that a certain intangible asset cannot presumably bring future benefit to the Company, all the book value of this intangible asset will be transferred to the administrative expenses of the current period.

At the period end, the anticipated economic benefit that the intangible asset can bring to the Company is measured. Based on the difference of the recoverable value of a single intangible asset less than its book value, a provision for impairment is booked.

Related parties

Related parties are entities in which one or more common direct/indirect/ shareholders and/or directors have the ability to control or exercise significant influence over the other party in financial and operating decision making.

Income Recognition Principle

Revenue from the sales of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Revenue excludes value added tax.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

Retirement benefit plan

The eligible employees of the Group, who are all citizens of the People's Republic of China, are members of a state-managed retirement benefit scheme operated by the local government. The company is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the company to respect the retirement scheme is to make the specified contributions.

Income taxes

Current taxation provided at the current taxation rate based on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax liabilities are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be recognized.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

The subsidiaries' income tax rate is 25 % of the income. In the event that the domestic equipments are purchased for the purpose of technical reconstruction and comply with national requirements on tax exempt, credit and refund, the tax will be exempt at the amount approved by the local taxation agency in the current year.

IV. Notes to the Financial Statements

(I). Consolidated statement of financial position

1. CASH AND CASH EQUIVALENTS

Financial years ended 31 December		
	2010	2009
	Euro	Euro
Cash on hand	6 434	24 819
Cash at banks	5 694 782	3 745 605
Total	**5 701 216**	**3 770 424**

2. TRADE DEBTORS

Financial years ended 31 December		
	2010	2009
	Euro	Euro
Trade debtors	1 954 675	2 075 245
Total	**1 954 675**	**2 075 245**

3. OTHER RECEIVABLE

Financial years ended 31 December		
	2010	2009
	Euros	Euros
Loans to corporations (1)	9 253 582	1 037 417
Loans to individuals (2)	864 883	1 342 161
Other	1 769 757	291 296
Total	**11 888 222**	**2 670 874**

(1)	Annual Interest rate	Amount	Month 6-12
Shengzou Shanghui Real Estate	10%	7 801 440	7 801 440
Zhejiang Jiuding in decoration	6%	1 133 530	1 133 530
Hengyan Equipement	6%	318 613	318 613

(1) One of directors of the Group is a minor shareholder of Shengzhou Shanghui Real Estate.

(2) Loans to individuals, having no contractual maturities and bearing no interest rate, are considered as short term loans.

4. ADVANCES TO SUPPLIERS

	Financial years ended 31 December	
	2010	2009
	Euros	Euros
Payments on account to suppliers	1 988 229	1 851 158
Total	**1 988 229**	**1 851 158**

All advances have a residual maturity of less than one year.

5. INVENTORIES

	Financial years ended 31 December	
	2010	2009
	Euros	Euros
Raw Material	642 857	484 756
Product in work	24 992	78 979
Finished Products	118 266	195 508
Low-value consumption goods	0	0
Total	**786 115**	**759 242**

There is no impairment on the inventories as at December 31, 2010 and 2009.

6. PROPERTY, PLANT AND EQUIPMENT

Gross book values					
Euros	**Buildings**	**Prod Equipmt**	**Office equimt**	**Véhicules**	**Total**
Total 31/12/2009	**3 700 512**	**1 427 613**	**260 764**	**862 941**	**6 251 830**
Increase	0	202 242	6 138	251 702	460 082
Decrease	0	37 973	0	0	0
Exchange difference	424 917	163 928	29 943	99 089	717 876
Total 31/12/2010	**4 125 429**	**1 755 810**	**296 845**	**1 213 732**	**7 391 815**

Amortisation					
Euros	**Buildings**	**Prod Equipmt**	**Office equimt**	**Véhicules**	**Total**
Total 31/12/2009	**532 306**	**507 359**	**145 058**	**515 769**	**1 700 492**
Increase	110 443	149 771	33 215	131 963	425 392
Decrease	0	6 146	0	0	6 146
Exchange difference	61 123	58 258	16 657	59 224	195 262
Total 31/12/2010	**703 871**	**709 242**	**194 930**	**706 956**	**2 314 999**

7. CONSTRUCTION IN PROGRESS

Euros	**Drawing audit expeses**	**Survey expense**	**Digging expense**	**Projet fund**	**Ligthing protection expense**	**Earthwork expenses**	**Total**
Total 31/12/2009	582	508	451	1 626 843	542	3 573	1 632 500
Increase	0	0	0	762 313	0	0	762 313
Deacrease	0	0	0	0	0	0	0
Exchange difference							
Total 31/12/2010	**648**	**567**	**503**	**2 575 961**	**604**	**3 985**	**2 582 268**

Construction in progress is related to a new factory located in Shengzhou. The management expects it to be finished in December 2011, for a beginning of production scheduled for the first months of 2012.

8. INTANGIBLE ASSETS

Financial years ended 31 December		
Euros	**2010**	**2009**
Land use right brut	861 709	774 967
Accumulated	73 510	57 069
Ecart de change	19 072	0
Total	**807 272**	**717 898**

The term of the land in use right is 2051.

9. DEFERRED TAX ASSETS

Euros	Opening	Increase	Reduction	Closing
Tax loss carry-forwards	0	0	0	0
Temporary differences	40 055	3 600		43 655
Total	**40 055**	**3600**		**43 655**

11. BANK BORROWINGS

Financial years ended 31 December						
Euros		2010			2009	
	Amount	Maturity	rate	Amount	Maturity	rate
Bank of China Shengzhou	477 216	01/03/2011	5,04%	428 063	13/03/2010	5,40%
Bank of China Shengzhou	702 788	04/02/2011	5,04%	305 033	23/03/2010	5,40%
Bank of China Shengzhou	566 765	05/03/2011	5,04%	427 046	25/02/2010	5,40%
Bank of China Shengzhou	566 765	09/03/2011	5,04%	203 355	05/02/2010	5,35%
Bank of China Shengzhou	340 059	21/03/2011	5,04%	305 033	25/11/2010	5,04%
Bank of China Shengzhou	1 133 530	10/04/2011	5,04%	365 023	05/12/2010	5,04%
Bank of China Shengzhou	406 937	01/12/2011	5,04%	1 016 777	28/04/2010	4,62%
Bank of communication	680 118	02/03/2011	Taux légal+20%	610 066	30/11/2010	6,37%
Bank of Zhao Shang	2 267 060	18/03/2011	Taux légal+10%	0		
Bank of Zhao Shang	2 267 060	18/03/2011	Taux légal+10%	0		
Total	**9 408 297**			**3 660 397**		

12. NOTES PAYABLE

Financial year ended 31 December 2010					
	2010			2009	
Euros	Amount	Maturity		Amount	Maturity
Bank of communication	566 765	21/01/2011	Bank of China Shengzhou	508 388	09/06/2010
Bank of communication	566 765	05/02/2011			
Bank of China (Shengzhou)	1 133 530	20/03/2011			
Bank of China (Shengzhou)	566 765	04/02/2011			
China Merchant Bank	566 765	26/01/2011			
China Merchant Bank	566 765	26/02/2011			
China Merchant Bank	1 133 530	19/04/2011			
Bank of communication shengzhou	0				
Total	**5 100 884**			**508 388**	

13. TRADE CREDITORS

	Financial years ended 31 December	
Euros	**2010**	**2009**
Trade Creditors	1 677 647	1 696 152
Total	**1 677 647**	**1 696 152**

14. ADVANCES RECEIVED FROM CUSTOMERS

	Financial years ended 31 December	
Euros	**2010**	**2009**
Advance from customers	1 075 760	249 345
Total	**1 075 760**	**249 345**

15. TAX PAYABLE

	Financial years ended 31 December	
Euros	**2010**	**2009**
Corporate Income Tax	230 129	283 310
VAT	21 175	0
Estate Tax	21 366	7 156
Tax	1 425	1 389
Turnover Tax	31 500	7 675
Individual income taxe	7 268	16 089
Net wealth tax	124	0
Land use tax	11 623	0
Others	5 919	5 270
Total	**330 529**	**320 889**

16. OTHER LEVIES PAYABLE

	Financial years ended 31 December	
	2010	2009
Education Surtax	1 679	1 100
Resources	883	1 618
Stamp tax	314	60
Local Education surtax	620	0
Total	**3 496**	**2 778**

17. OTHER PAYABLE

	Financial years ended 31 December	
	2010	**2009**
Euros		
Other payable	1 808 333	1 669 974
Total	**1 808 333**	**1 669 974**

Most of this amount is due to the shareholders of the Group. No interest rate is due and there is no maturity date for the shareholder loan.

18. SUBSCRIBED CAPITAL

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

On October 12, 2008, the share capital of the company was increased by a contribution in kind of 1 000 000 euros subscribed by Crystal Sky Holding (Samoa).

On December 17, 2008, the board of directors realized an additional capital increase by contribution of 403 667 euros for the capital and 4 678 500 euros for the share premium in connection with the admission of the Company on Alternext Market of Euronext Paris. As of December 31, 2010, the subscribed share capital of the Company amounts to EUR 1 753 667 represented by 1 753 667 shares with a nominal value of EUR 1 each fully paid up.

On December 31, 2010, the shareholders of the Company are:

Crystal Sky Holding Limited, (Samoa) :	813 650 shares
Kunyuan Capital Limited, (British Virgin Islands) :	79 428 shares
Meridian International Co Ltd, (Usa) (1) :	320 559 shares
Other :	540 030 shares
Total:	1 753 667 shares

(1) Meridian International Co Ltd is the main customer of the Group

The company has not adopted any share option scheme.

The authorized capital of the company amounts to EUR 14 000 000 as at December 31, 2010.

The company's board of directors is authorized until October 2nd, 2013, to increase the subscribed capital of the company within the limits of the authorized capital.

(II) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1. SALES OF MAIN OPERATIONS

Euros	December 31,2010
Domestic Sales	10 515 815
Total	**10 515 815**

All the sales are contracted in RENMIMBI with Chinese distributors which export through to final customers. The products sold by the Company mainly consist of injected or extruded handle screwdrivers.

2. MAIN OPERATING COSTS

Euros	December 31, 2010
Raw materials	7 630 569
Other materials	0
Wages	206 890
OEM	105 191
Manufacturing cost	239 213
Other	200 979
Total	7 751 813

3. INCOME FROM OTHER OPERATIONS

Euros	December 31, 2010
Fund Using Fees	131 039
Sales raw material	10 280
Sample Sales	2 698
Electricity Bill	22 685
Mold Fees	1 095
Other	7 810
Total	175 607

4. SELLING EXPENSES

Euros	December 31,2010
Freight	176 260
Advertising	1 114
Wages	25 959
Packing fees	267 705
Inspections fees	30 218
Publicity	8 440
Other	59 812
Total	**569 507**

5. GENERAL & ADMINISTRATIVE EXPENSES

Euros	Decembre 31,2010
Depreciation	224 098
Salary	293 838
House accumulation fund	40 096
R et D	390 413
Auditing and Consulting	348 149
Expenses on Businesse entertainment	103 433
Social security costs	45 429
Others	426 696
Total	**1 872 152**

6. FINANCIAL EXPENSES

Euros	Decembre 31,2010
Total	**71 483**
One of:	
Interest Net Expense	72 969
Procedures fee	36 755
Others	-38 240

7. NON OPERATING INCOME

Euros	Decembre 31,2010
Total	**54 689**
One of:	
House leasing	49 848
Rewards	3 792
Other	1 049

8. NON OPERATING EXPENSES

Euros	Decembre 31,2010
Total	17 032
One of:	
Hydraulic construction fund	11 284
overdue fine	0
Sponsors expenses	891
Others	2 289
Donation payment	2 568

9. INCOME TAX

The tax burden is equal to the sum of current taxes and deferred taxes. Deferred taxes are calculated according to the expiration periods for tax liabilities set by local legislation and the availability of deferrable losses in view of a favorable outlook for the companies in question so as to be able to offset deferred and related taxes.

Euros	December 31, 2010
Current taxes (1)	131 126
Deferred taxes	-3 600
Total	**134 726**

(1) The income tax rate level in China is 25 % of benefit.

V. EMPLOYEES

	2010	2009
Administration staff	49	46
Production staff	128	119
Recherche et développement	14	13
Selling staff	10	9
Total	**201**	**187**

VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Pledged Assets	Area	Amount (rmb)	Mortgagee
Land Use Right	26 540 □ 2004-7-3716 2004-4-3717 2004-4-3718	7 430 000	Shengzhou Branch of China Branch
House Property	6358,46 □ 20050131	5 720 000	Shengzhou Branch of China Branch
House Property	3979,44M2 20030030	3 580 000	Shengzhou Branch of China Branch
House Property	4907,68 □ 20060066	4 410 000	Shengzhou Branch of China Branch
House Property	2052,75 M2 20030031	1 840 000	Shengzhou Branch of China Branch
TOTAL		**22 980 000**	

VIII. RELATED TRANSACTIONS

Sales :	**December 31, 2010**
Euros	
Name of company:	
Meridian International Co Ltd (1)	4 681 324
(1) is a shareholder of the Company (cf note IV (1)18)	

VII. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management meets periodically to analyze and formulate measures to manage the group's exposure to market risk, including principally changes in interest rates and market prices. Generally, the company employs a conservative strategy regarding its risk management: The Company has not used any derivative or other instruments for hedging purposes. The company does not hold or issue derivative financial instruments for trading purposes.

As at December 31, 2010, the company's financial instruments mainly consist of cash equivalents, receivables and payables.

There appears to be a concentration risk due to the fact that the group sells almost one half of its products to a related party, MERIDIAN INTERNATIONAL Co Ltd (see also note VIII. above). In fact, MERIDIAN INTERNATIONAL Co, Ltd merely acts as a trading company that buys goods from the group and resells these to the group's various customers.

VIII. POST BALANCE SHEET EVENTS

After the balance sheet date, there were no significant events that would have an impact on the present consolidated financial statements or be worth mentioning in the notes attached to the present consolidate financial statements.