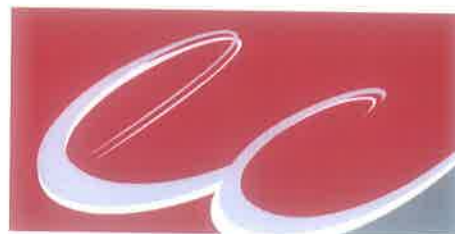


**B.C.R.H. & Associés**

*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, 2013**

**INDEPENDENT AUDITOR'S REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS  
OF TOOLUX SANDING SA AS AT 31 DECEMBER 2013**

**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 31<sup>st</sup> 2013, 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 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 SA, as of December 31<sup>st</sup>, 2013 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) 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, May 15th, 2014

**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, 2013 to December 31, 2013	From January 1, 2012 to December 31, 2012
<b>SALES OF MAIN OPERATIONS</b>	IV(II) (1)	8 886 781	10 319 629
Less: cost of main operations	IV(II) (2)	-6 021 581	-7 287 473
<b>GROSS PROFIT</b>		<b>2 865 200</b>	<b>3 032 156</b>
Add: Income from other operations	IV(II) (3)	67 335	7 926
Less: Selling expenses	IV(II) (4)	-291 383	-408 409
Less: General and administrative expenses	IV(II) (5)	-2 274 738	-1 945 206
Less: Financial expenses	IV(II) (6)	-331 479	-406 880
<b>OPERATING INCOME</b>		<b>34 935</b>	<b>279 587</b>
Investment income (loss expressed with "-")		12 289	19 197
Non-operating income	IV(II) (7)	48 194	24 538
Less: Sales tax and additions		-49 099	-69 403
Less: Non-operating expenses	IV(II) (8)	-22 891	-15 978
<b>PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")</b>		<b>23 429</b>	<b>237 941</b>
Less: Income tax		-49 653	-85 874
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-26 223</b>	<b>152 067</b>
PROFIT PER SHARE (BASIC AND DILUTED)		-0,01	0,08

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1, 2013 to December 31, 2013

## TOOLUX SANDING SA

ITEMS	NOTE	December 31, 2013	December 31, 2012
<b>NON CURRENT ASSETS :</b>			
Property, plant and equipment	IV(I) (6)	7 853 026	7 770 800
Less: Accumulated depreciation	IV(I) (6)	-3 847 331	-3 489 887
Property, plant and equipment (net value)	IV(I) (6)	4 005 695	4 280 913
Construction in progress	IV(I) (7)	3 755 146	2 768 480
Intangible assets	IV(I) (8)	828 087	846 449
Long-term investment		146 994	150 137
Long-term prepaid assets		12 410	28 417
Deferred tax assets			101 521
<b>TOTAL NON CURRENT ASSETS</b>		<b>8 748 332</b>	<b>8 175 917</b>
<b>CURRENT ASSETS:</b>			
Inventories	IV(I) (5)	263 841	146 935
Trade debtors	IV(I) (2)	1 920 180	2 068 448
Other receivable	IV(I) (3)	17 047 920	20 226 743
Advances to suppliers	IV(I) (4)	4 801 895	4 425 328
Cash and cash equivalents	IV(I) (1)	4 570 506	5 231 613
<b>TOTAL CURRENT ASSETS</b>		<b>28 604 343</b>	<b>32 099 067</b>
<b>TOTAL ASSETS</b>		<b>37 352 675</b>	<b>40 274 984</b>
<b>CURRENT LIABILITIES:</b>			
Bank borrowings	IV(I) (11)	14 642 297	16 148 126
Notes payable	IV(I) (12)	4 641 219	4 862 788
Trade creditors	IV(I) (13)	1 372 513	1 706 383
Advances received from customers	IV(I) (14)	120 731	166 105
Welfare benefits payable		123 645	196 363
Taxes payable	IV(I) (15)	300 318	251 787
Other levies payable	IV(I) (16)	-18 542	-27 616
Other payable	IV(I) (17)	3 908 571	4 410 980
<b>TOTAL CURRENT LIABILITIES</b>		<b>25 090 751</b>	<b>27 714 916</b>
<b>OWNERS'/SHAREHOLDERS' EQUITY</b>			
Subscribed capital		1 753 667	1 753 667
Other reserves		8 859 347	8 885 570
Exchange differences on translating foreign operations		1 530 993	1 802 902
<b>TOTAL OWNERS' EQUITY</b>		<b>12 144 007</b>	<b>12 442 139</b>
Non-controlling interests		117 917	117 929
<b>TOTAL LIABILITIES &amp; OWNERS' EQUITY</b>		<b>37 352 675</b>	<b>40 274 984</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

## TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2013 to December 31, 2013	From January 1, 2012 to December 31, 2012
<b>SALES OF MAIN OPERATIONS</b>	IV (II) (1)	8 886 781	10 319 629
Less: cost of main operations	IV (II) (2)	-6 021 581	-7 287 473
<b>GROSS PROFIT</b>		<b>2 865 200</b>	<b>3 032 156</b>
Add: Income from other operations	IV (II) (3)	52 506	7 926
Less: Selling expenses	IV (II) (4)	-291 383	-408 409
Less: General and administrative expenses	IV (II) (5)	-2 275 313	-1 945 206
Less: Financial expenses	IV (II) (6)	-331 479	-406 880
<b>OPERATING INCOME</b>		<b>19 531</b>	<b>279 587</b>
Investment income (loss expressed with "-")		12 289	19 197
Non-operating income	IV (II) (7)	48 194	24 538
Less: Sales tax and additions		-49 099	-69 403
Less: Non-operating expenses	IV (II) (8)	-22 891	-15 978
<b>PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")</b>		<b>8 025</b>	<b>237 941</b>
Less: Income tax		-49 653	-85 874
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-41 627</b>	<b>152 067</b>
PROFIT PER SHARE (BASIC AND DILUTED)		-0,02	0,08

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1, 2013 to December 31, 2013

**TOOLUX SANDING SA**

ITEMS	NOTE	December 31, 2013	December 31, 2012
<b>NON CURRENT ASSETS :</b>			
Property, plant and equipment	IV(I) (6)	7 853 026	7 770 800
Less: Accumulated depreciation	IV(I) (6)	-3 847 331	-3 489 887
Property, plant and equipment (net value)	IV(I) (6)	4 005 695	4 280 913
Construction in progress	IV(I) (7)	3 755 146	2 768 480
Intangible assets	IV(I) (8)	828 087	846 449
Long-term investment		146 994	150 137
Long-term prepaid assets		12 410	28 417
Deferred tax assets			101 521
<b>TOTAL NON CURRENT ASSETS</b>		<b>8 748 332</b>	<b>8 175 917</b>
<b>CURRENT ASSETS:</b>			
Inventories	IV(I) (5)	263 841	146 935
Trade debtors	IV(I) (2)	1 920 180	2 068 448
Other receivable	IV(I) (3)	17 058 213	20 226 743
Advances to suppliers	IV(I) (4)	4 801 895	4 425 328
Cash and cash equivalents	IV(I) (1)	4 570 506	5 231 613
<b>TOTAL CURRENT ASSETS</b>		<b>28 614 635</b>	<b>32 099 067</b>
<b>TOTAL ASSETS</b>		<b>37 362 968</b>	<b>40 274 984</b>
<b>CURRENT LIABILITIES:</b>			
Bank borrowings	IV(I) (11)	14 642 297	16 148 126
Notes payable	IV(I) (12)	4 641 219	4 862 788
Trade creditors	IV(I) (13)	1 372 513	1 706 383
Advances received from customers	IV(I) (14)	120 731	166 105
Welfare benefits payable		123 645	196 363
Taxes payable	IV(I) (15)	300 318	251 787
Other levies payable	IV(I) (16)	-18 542	-27 616
Other payable	IV(I) (17)	3 934 268	4 410 980
<b>TOTAL CURRENT LIABILITIES</b>		<b>25 116 448</b>	<b>27 714 916</b>
<b>OWNERS'/SHAREHOLDERS' EQUITY</b>			
Subscribed capital		1 753 667	1 753 667
Other reserves		8 843 943	8 885 570
Exchange differences on translating foreign operations		1 530 993	1 802 902
<b>TOTAL OWNERS' EQUITY</b>		<b>12 128 602</b>	<b>12 442 139</b>
Non-controlling interests		117 917	117 929
<b>TOTAL LIABILITIES &amp; OWNERS' EQUITY</b>		<b>37 362 967</b>	<b>40 274 984</b>

**CONSOLIDATED CASH FLOW STATEMENT (euros)**

ITEMS	31 December 2013	31 December 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	-26 223	152 067
Adjustments for :		
Exchange difference	-52 174	-33 231
Impairment loss for doubtful accounts		-11 940
Depreciation of property, plant and equipment	430 500	490 297
Interest expenses		406 880
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>352 104</b>	<b>1 004 073</b>
<b>WORKING CAPITAL CHANGES</b>		
Trade debtors	104 968	377 350
Other receivable	2 706 595	-689 464
Advances to suppliers	-469 206	-483 301
Inventories	-119 982	239 752
Deferred taxes	0	-61 728
Notes payable	-119 773	122 334
Accounts payable	-299 308	495 212
Advances from customers	-41 897	27 003
Welfare benefit payable	-68 608	-84 046
Taxes payable	51 757	-258 331
Other levies payable	8 495	-37 776
Other payable	-385 488	2 001 600
<b>CASH FROM OPERATING ACTIVITIES</b>	<b>1 719 657</b>	<b>2 652 678</b>
Income tax	60 435	61 728
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1 780 092</b>	<b>2 714 406</b>
<b>INVESTING ACTIVITIES</b>		
Long term equity investment	54	-150 192
Purchase of property, land and equipment	-244 897	-26 900
Intangible assets	643	6 410
Construction in progress	-1 044 620	-2 571 981
Long term prepaid assets	15 412	15 742
Sales of Shares (Shangheng) loss of investissement		
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-1 273 409</b>	<b>-2 726 921</b>
<b>FINANCING ACTIVITIES</b>		
Short term loans received	14 642 297	16 148 126
Short term loans repaid	-15 810 087	-14 680 116
Interest expenses		-406 880
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-1 167 791</b>	<b>1 061 130</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-661 107</b>	<b>1 048 615</b>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b>5 231 613</b>	<b>4 182 998</b>
<b>CASH AND CASH EQUIVALENTS BEGINING OF YEAR</b>	<b>4 570 506</b>	<b>5 231 613</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-661 107</b>	<b>1 048 615</b>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
<b>Balance as at 1th January 2011</b>	<b>1 753 667</b>	<b>8 586 174</b>	<b>806 807</b>	<b>40 622</b>	<b>11 187 270</b>
Exchange difference			1 026 326		1 026 326
Net profit for the year/period		147 329			147 329
Minority interests				3 302	3 302
<b>Balance as at 1th January 2012</b>	<b>1 753 667</b>	<b>8 733 503</b>	<b>1 833 133</b>	<b>43 924</b>	<b>12 364 227</b>
Exchange difference			-30 231		-30 231
Net profit for the year/period		152 067			152 067
Minority interests				74 005	74 005
<b>Balance as at 1th January 2012</b>	<b>1 753 667</b>	<b>8 885 570</b>	<b>1 802 902</b>	<b>117 929</b>	<b>12 560 068</b>
Exchange difference			-271 909		-271 909
Net profit for the year/period		-26 223			-26 223
Minority interests				-12	-12
<b>Balance as at 31 December 2013</b>	<b>1 753 667</b>	<b>8 859 347</b>	<b>1 530 993</b>	<b>117 917</b>	<b>12 261 924</b>

# Toolux Sanding SA

## Notes to the Consolidated Financial Statements for the financial year ended December 31, 2013

### 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, 2013.

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

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

On 13<sup>th</sup> 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 17<sup>th</sup> 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, Shengzhou 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, 2013 and ended December 31, 2013 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=8.174323 Rmb as of December 31, 2012, 1 Euro=8,3491 Rmb as of December 31, 2013) and the average rate of exchange for the

income statements items (1 Euro=8.108305 Rmb for the year 2012, 1 Euro=8,164629 Rmb for the year 2013). 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 2013).

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	95%	95%

#### 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 follows:

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 if 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				
	2013		2012	
	Euro		Euro	
Cash on hand		17 916		12 542
Cash at banks		<u>4 552 590</u>		<u>5 219 070</u>
<b>Total</b>		<b>4 570 506</b>		<b>5 231 613</b>

##### 2. TRADE DEBTORS

Financial years ended 31 December				
	2013		2012	
	Euro		Euro	
Trade debtors		<u>1 920 180</u>		<u>2 068 448</u>
<b>Total</b>		<b>1 920 180</b>		<b>2 068 448</b>

##### 3. OTHER RECEIVABLE

Financial years ended 31 December				
	2013		2012	
	Euro		Euro	
Loans to corporations (1)		15 993 065		16 772 064
Loans to individuals (2)		870 640		3 245 364
Other		<u>184 215</u>		<u>209 315</u>
<b>Total</b>		<b>17 047 920</b>		<b>20 226 743</b>

(1)	Annual interest rate	Amount	Month 6-12
Shengzhou Shanghui Real Estate	10%	11 759 967	11 759 967
Zhejiang Jiuding in decoration	6,5%	341 354	341 354

(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		
	2013	2012
	Euro	Euro
Prepayment to suppliers	4 801 895	4 425 328
<b>Total</b>	<b>4 801 895</b>	<b>4 425 328</b>

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

#### 5. INVENTORIES

Financial years ended 31 December		
	2013	2012
	Euro	Euro
Raw Material	167 386	75 932
Product in work	61 484	35 105
Finished Products	34 971	35 898
<b>Total</b>	<b>263 841</b>	<b>146 935</b>

There is no impairment on the inventories as at December 31, 2013 and 2012.

#### 6. PROPERTY, PLANT AND EQUIPMENT

Gross book values					
Euro	Buildings	Prod Equipmt	Office equimt	Véhicules	Total
<b>Total 31/12/2012</b>	<b>4 037 983</b>	<b>2 057 202</b>	<b>371 885</b>	<b>1 303 731</b>	<b>7 770 800</b>
Increase	211 709	7 398	25 791	0	244 897
Decrease	0	0	0	0	0
Exchange difference	-84 530	-43 065	-7 785	-27 292	-162 671
<b>Total 31/12/2013</b>	<b>4 165 162</b>	<b>2 021 535</b>	<b>389 891</b>	<b>1 276 439</b>	<b>7 853 026</b>

Amortisation					
Euro	Buildings	Prod Equipmt	Office equimt	Véhicules	Total
Total 31/12/2012	1 053 783	1 121 253	277 300	1 037 550	3 489 887
Increase	171 286	167 130	27 907	64 177	430 500
Decrease	0	0	0	0	0
Exchange difference	-22 060	-23 472	-5 805	-21 720	-73 056
Total 31/12/2013	1 203 010	1 264 911	299 402	1 080 008	3 847 331

## 7. CONSTRUCTION IN PROGRESS

Euro	Building Hotel	Building Dormitory	Total
Total 31/12/2012	2 200 198	572 460	2 768 489
Increase	1 044 620	0	1 044 620
Decrease	0	0	0
Exchange difference	-50 149	-11 984	-62 133
Total 31/12/2013	3 194 669	560 476	3 755 146

## 8. INTANGIBLE ASSETS

Financial years ended 31 December		
Euros	2013	2012
Land use right brut and software	964 232	967 028
Accumulated	136 145	120 579
Ecart de change		
<b>Total</b>	<b>828 087</b>	<b>846 449</b>

The term of the land in use right is 2051.

## 11. BANK BORROWINGS

Financial years ended 31 December						
Euros	2013			2012		
	Amount	Maturity	rate	Amount	Maturity	rate
Bank of China	5 389 802,49	01/08/2014	6,60%	5 505 043	06/05/2013	Taux légal+10%
Bank of China	568 923,60	24/03/2014	5,88%			
Bank of communication	1 796 600,83	19/06/2014	6,60%	1 835 014	28/06/2013	Taux légal+15%
Bank of Zhao Shang				2 446 686	07/04/2013	Taux légal+20%
Bank of Zhao Shang				2 446 686	19/03/2013	Taux légal+20%
Bank of Hua Xia	2 096 034,30	13/12/2014	7,20%	1 468 011	25/12/2013	7,20%
SPD bank	2 395 467,77	07/09/2014	7,20%	611 671	30/04/2013	4,90%
SPD bank	598 866,94	28/03/2014	5,25%			
Hengfeng	1 796 600,83	03/07/2014	7,87%	1 835 014	06/01/2013	7,87%
<b>Total</b>	<b>14 642 297</b>			<b>16 148 126</b>		

## 12. NOTES PAYABLE

Financial year ended 31 December				
Euros	2013		2012	
	Amount	Maturity	Amount	Maturity
China Merchant Bank	1 197 734	14/05/2014	978 674	29/04/2013
Bank of communication			367 003	14/03/2013
Shanghai pudong bank	3 443 485	01/03/2014	3 517 111	01/03/2013
<b>Total</b>	<b>4 641 219</b>		<b>4 862 788</b>	

## 13. TRADE CREDITORS

Financial years ended 31 December		
Euros	2013	2012
Supplier payable	1 372 513	1 706 383
<b>Total</b>	<b>1 372 513</b>	<b>1 706 383</b>

## 14. ADVANCES RECEIVED FROM CUSTOMERS

Financial years ended 31 December		
Euros	2013	2012
Advance from customers	120 731	166 105
<b>Total</b>	<b>120 731</b>	<b>166 105</b>

## 15. TAX PAYABLE

Financial years ended 31 December		
Euros	2013	2012
Corporate Income Tax	52 112	-30 921
VAT	76 620	84 429
Estate Tax	37 478	14 229
Tax	8 694	7 101
Turnover Tax	80 072	137 540
Individual income tax	6 353	5 145
Land use tax	36 843	12 544
Others	2 147	21 720
<b>Total</b>	<b>300 318</b>	<b>251 787</b>

## 16. OTHER LEVIES PAYABLE

Financial years ended 31 December		
	2013	2012
Education Surtax	9 091	5 735
Resources	-34 373	-35 024
Stamp tax	385	303
Social assurance	6 356	0
Local Education surtax	0	1 366
<b>Total</b>	<b>-18 542</b>	<b>-27 616</b>

## 17. OTHER PAYABLE

Financial years ended 31 December		
Euros	2013	2012
Other payable	3 908 571	4 410 980
<b>Total</b>	<b>3 908 571</b>	<b>4 410 980</b>

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, 2011, 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, 2013, the shareholders of the Company are:

Crystal Sky Holding Limited, (Samoa) :	1 319 825 shares
Kunyuan Capital Limited, (British Virgin Islands) :	79 428 shares
Meridian International Co Ltd, (Usa) (1) :	350 734 shares
Other :	3 680shares
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, 2014.

The company's board of directors is authorized until October 2<sup>nd</sup>, 2014, 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, 2013
Domestic Sales	8 886 781
<b>Total</b>	<b>8 886 781</b>

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, 2013
Raw materials	4 863 302
Wages	676 594
OEM	108 531
Manufacturing cost	360 151
Other	13 002
<b>Total</b>	<b>6 021 581</b>

### 3. INCOME FROM OTHER OPERATIONS

Euros	December 31, 2013
Sales raw material	23 223
Electricity Bill	-7 667
Mold Fees	21 041
Elimination of rent	0
written back Luxembourg	30 738
<b>Total</b>	<b>67 335</b>

### 4. SELLING EXPENSES

Euros	December 31, 2013
Freight	75 193
Advertising	37 558
Wages	65 863
Packing fees	84 430
Inspections fees	16 197
Publicity	1 319
Other	10 823
<b>Total</b>	<b>291 383</b>

## 5. GENERAL & ADMINISTRATIVE EXPENSES

Euros	Decembre 31,2013
Depreciation	208 246
Salary	313 545
House accumulation fund	36 744
R et D	311 417
Auditing and Consulting	128 695
Expenses on Business entertainment	283 643
Social security costs	95 452
Repaire	65 528
Others taxes	52 779
Others	778 689
<b>Total</b>	<b>2 274 738</b>

## 6. FINANCIAL EXPENSES

Euros	Decembre 31,2013
<b>Total</b>	<b>331 479</b>
One of:	
Interest Net Expense	299 851
Procedures fee	31 627
Others	0

## 7. NON OPERATING INCOME

Euros	Decembre 31,2013
<b>Total</b>	<b>48 195</b>
One of:	
Rent of house	32 272
Funding of local government	15 922
Other	-23 765

## 8. NON OPERATING EXPENSES

Euros	Decembre 31,2013
<b>Total</b>	<b>22 891</b>
One of:	
Hydraulic construction fund	9 083
Sponsors expenses	
Penalty	335
	1 225



## 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. The income tax rate level in China is 25 % of benefit.

## V. EMPLOYEES

	2013	2012
Administration staff	36	47
Production staff	125	201
Recherche et développement	11	5
Selling staff	9	8
<b>Total</b>	<b>181</b>	<b>261</b>

## VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Pledged Assets	Area	Amount (rmb)	Mortgagee
Land Use Right	34178,6m2 2004-7-3716 2004-4-3717 2004-4-3718 2007-4-1320	1 892 420	Shengzhou Branch of China Branch
House Propety (zhejiang sanding)	31330,98m2	4 222 012	Shengzhou Branch of China Branch
House Propety (zhejiang sanding)	1814,04 m2	1 892 420	Bank of communication
Land Use Right (zhejiang sanding)	594,79		
<b>TOTAL</b>		<b>8 006 851</b>	

Pledged Assets	Amount (rmb)	Beneficiary	Mortgagee
Shaoxing sanding	239 546,78	Zhongding Plastic Tool Ltd.	Bank of HUAXIA branch shaoxing
Shaoxing sanding	5 389 802,49	Zhejiang sanding	Bank of china branch zhengzhou
Shaoxing sanding	4 671 162,16	Shengzhou Shiguang Clothing Ltd.	Bank of ZHONGXIN
Shaoxing sanding	1 197 733,89	Shengzhou xinhua Bearing Ltd.	Bank of commerce de Zhejiang
<b>Total</b>	<b>11 498 245,32</b>		

## VIII. RELATED TRANSACTIONS

Sales :	December 31, 2013
Euros	
<b>Name of company:</b>	
Meridian International Co Ltd (1)	63 374
(1) is a shareholder of the Company (cf note IV (1)18)	

## XI. 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, 2012, 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 a third 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.

## X. 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 consolidated financial statements.