

**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, 2019**

**INDEPENDENT AUDITOR'S REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS  
OF TOOLUX SANDING SA AS AT 31 DECEMBER 2019**

**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> 2019, 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>, 2019 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.

### **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, July 22th, 2020

**BCRH & Associés**

*Société d'Expertise Comptable et de Commissariat aux Comptes*

**François Sors**

*Associé*



**B.C.R.H & ASSOCIÉS**

Société d'Expertise Comptable  
et de Commissariat aux Comptes  
35-37 Rue de Rome - 75008 PARIS  
Tél. : 01 45 61 20 40  
Fax : 01 45 61 21 04  
RCS PARIS 490 092 574 00063

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

## TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2019 to December 31,2019	From January 1, 2018 to December 31,2018
<b>SALES OF MAIN OPERATIONS</b>	IV(II) (1)	16 078 278	12 464 682
Less:cost of main operations	IV(II) (2)	-13 516 636	-9 043 257
<b>GROSS PROFIT</b>		<b>2 561 642</b>	<b>3 421 425</b>
Add: Income from other operations	IV(II) (3)	178 013	180 783
Less: Selling expenses	IV(II) (4)	-300 824	-561 196
Less: General and administrative expenses	IV(II) (5)	-2 509 299	-3 190 727
Less: Financial expenses	IV(II) (6)	-858 551	-1 389 182
<b>OPERATING INCOME</b>		<b>-929 019</b>	<b>-1 538 897</b>
Investment income(loss expressed with "-")		-3 582 724	3 586
Non-operating income	IV(II) (7)	86 400	183 111
Less:Sales tax and additions		-36 331	-103 762
Less:Non-operating expenses	IV(II) (8)	-12 542	-270 929
<b>PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")</b>		<b>-4 474 216</b>	<b>-1 726 891</b>
Less: Income tax		-7 583	-4 469
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-4 481 799</b>	<b>-1 731 360</b>
PROFIT PER SHARE (BASIC AND DILUTED)		-2,56	-0,99

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1, 2019 to December 31, 2019

## TOOLUX SANDING SA

ITEMS	NOTE	December 31,2019	December 31,2018
<b>NON CURRENT ASSETS :</b>			
Property, plant and equipment	IV(I) (6)	9 197 128	17 488 948
Less:Accumulated depreciation	IV(I) (6)	-5 917 396	-6 272 726
Property, plant and equipment (net value)	IV(I) (6)	3 279 732	11 216 222
Construction in progress	IV(I) (7)		657 593
Intangible assets	IV(I) (8)	346 967	812 151
Long-term investment		156 930	155 842
Long-term prepaid assets		15 146	35 792
Deferred tax assets			
<b>TOTAL NON CURRENT ASSETS</b>		<b>3 798 775</b>	<b>12 877 600</b>
<b>CURRENT ASSETS:</b>			
Inventories	IV(I) (5)	2 724 509	2 577 569
Trade debtors	IV(I) (2)	1 307 605	2 142 345
Other receivable	IV(I) (3)	7 007 949	7 844 402
Advances to suppliers	IV(I) (4)	4 634 812	6 192 181
Cash and cash equivalents	IV(I) (1)	5 904 951	7 520 701
<b>TOTAL CURRENT ASSETS</b>		<b>21 579 826</b>	<b>26 277 198</b>
<b>TOTAL ASSETS</b>		<b>25 378 601</b>	<b>39 154 798</b>
<b>CURRENT LIABILITIES:</b>			
Bank borrowings	IV(I) (11)	13 681 990	19 962 921
Notes payable	IV(I) (12)		1 523 790
Trade creditors	IV(I) (13)	1 847 823	2 214 040
Advances received from customers	IV(I) (14)	610 406	1 834 041
Welfare benefits payable		173 704	178 250
Taxes payable	IV(I) (15)	98 048	144 944
Other levies payable		7 497	7 111
Other payable	IV(I) (16)	2 928 671	2 871 133
<b>TOTAL CURRENT LIABILITIES</b>		<b>19 348 139</b>	<b>28 736 230</b>
<b>OWNERS'/SHAREHOLDERS' EQUITY</b>			
Subscribed capital		1 753 667	1 753 667
Other reserves		1 709 883	6 191 682
Exchange differences on translating foreign operations		2 566 912	2 396 823
<b>TOTAL OWNERS' EQUITY</b>		<b>6 030 462</b>	<b>10 342 172</b>
<b>Non-controlling interests</b>			<b>76 396</b>
<b>TOTAL LIABILITIES &amp; OWNERS' EQUITY</b>		<b>25 378 601</b>	<b>39 154 798</b>

**CONSOLIDATED CASH FLOW STATEMENT (euros)**

ITEMS	31 December 2019	31 December 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	-4 489 381	-1 735 829
Adjustments for :		
Exchange difference	71 134	-72 750
Impairment loss for doubtful accounts	28 566	-27 016
Depreciation of property, plant and equipment	-403 593	455 718
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>-4 793 274</b>	<b>-1 379 877</b>
<b>WORKING CAPITAL CHANGES</b>		
Trade debtors	858 308	464 837
Other receivable	910 750	960 423
Advances to suppliers	1 618 523	734 745
Inventories	-130 388	-1 054 277
Notes payable	-1 551 610	1 280 721
Accounts payable	-385 949	768 136
Advances from customers	-1 250 284	1 650 031
Welfare benefit payable		
Accrued payroll	-5 857	14 421
Taxes payable	-53 279	-46 073
Other levies payable	341	-3 325
Other payable	-23 407	-1 390 794
<b>CASH FROM OPERATING ACTIVITIES</b>	<b>-4 806 126</b>	<b>1 998 968</b>
Income tax	7 583	4 469
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>-4 798 543</b>	<b>2 003 437</b>
<b>INVESTING ACTIVITIES</b>		
Long term equity investment		
Purchase of property, land and equipment	8 508 136	-6 722
Intangible assets	476 126	10 501
Construction in progress	669 599	-234 871
Long term prepaid assets	21 130	78 371
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>9 674 991</b>	<b>-152 722</b>
<b>FINANCING ACTIVITIES</b>		
Short term loans received	13 835 193	20 134 220
Short term loans repaid	-20 327 390	-20 491 541
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-6 492 198</b>	<b>-357 322</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-1 615 750</b>	<b>1 493 393</b>
<b>CASH AND CASH EQUIVALENTS BEGINING OF YEAR</b>	<b>7 520 701</b>	<b>6 027 307</b>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b>5 904 951</b>	<b>7 520 701</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-1 615 750</b>	<b>1 493 394</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
<b>Balance as at 31 December 2016</b>	<b>1 753 667</b>	<b>8 492 610</b>	<b>3 206 985</b>	<b>131 790</b>	<b>13 585 052</b>
Exchange difference			-518 295		-518 295
Net profit for the year/period		-569 569			-569 569
Minority interests				-239 273	-239 273
<b>Balance as at 31 December 2017</b>	<b>1 753 667</b>	<b>7 923 041</b>	<b>2 688 690</b>	<b>-107 483</b>	<b>12 257 915</b>
Exchange difference			-291 866		-291 866
Net profit for the year/period		-1 731 360			-1 731 360
Minority interests				183 879	183 879
<b>Balance as at 31 December 2018</b>	<b>1 753 667</b>	<b>6 191 681</b>	<b>2 396 824</b>	<b>76 396</b>	<b>10 418 568</b>
Exchange difference			170 089		170 089
Net profit for the year/period		-4 481 799			-4 481 799
Minority interests				-76 396	-76 396
<b>Balance as at 31 December 2019</b>	<b>1 753 667</b>	<b>1 709 882</b>	<b>2 566 913</b>	<b>0</b>	<b>6 030 462</b>

# **Toolux Sanding SA**

## **Notes to the Consolidated Financial Statements for the financial year ended December 31, 2019**

### **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, 2019.

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, 2018 and ended December 31, 2019 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) ;

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 = 7.8751 Rmb as of December 31, 2018, 1 Euro = 7.8205 Rmb as of December 31, 2019) and the average rate of exchange for the income statements items (1 Euro = 7.8081 Rmb for the year 2018, 1 Euro = 7,7339 Rmb for the year 2019). 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 2019).

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%

#### 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 December, 31th		
	2019	2018
	€	€
Cash on hand	478	17 736
Cash at banks	<u>918 354</u>	<u>7 502 965</u>
<b>Total</b>	<b>918 832</b>	<b>7 520 701</b>

###### 2. TRADE DEBTORS

Financial years ended Decembre 31th		
	2019	2018
	€	€
Trade debtors	<u>1 307 605</u>	<u>2 142 345</u>
<b>Total</b>	<b>1 307 605</b>	<b>2 142 345</b>

###### 3. OTHER RECEIVABLE

Financial years ended, December 31th		
	2019	2018
	€	€
Loans to corporations (1)	4 574 857	5 744 535
Loans to individuals (2)	<u>2 433 093</u>	<u>2 099 866</u>
<b>Total</b>	<b>7 007 950</b>	<b>7 844 402</b>

(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.

(1)	Interest rate	Amount
Shengzhou Shanhu Real Estate	10%	4 986 119

#### 4. ADVANCES TO SUPPLIERS

Financial years ended, December 31th		
	2019	2018
	€	€
Prepayment to suppliers	<u>4 634 812</u>	<u>6 192 181</u>
<b>Total</b>	<b>4 634 812</b>	<b>6 192 181</b>

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

#### 5. INVENTORIES

Financial year ended December 31th		
	2019	2018
	€	€
Raw Materials	2 705 734	2 364 831
Low-value consumables	0	108 734
Finished Products	18 775	18 644
Inventory goods	<u>0</u>	<u>85 359</u>
<b>Total</b>	<b>2 724 509</b>	<b>2 577 568</b>

There is no impairment on the inventories as at December 31, 2018 and 2019.

#### 6. PROPERTY, PLANT AND EQUIPMENT

GROSS BOOK VALUES								
€	Buildings	Machine Equip	Office Equip	Vehicule	Electronic Equip	Accessory Equip	Kitchen Equip	Total
<b>Total 2018</b>	<b>10 706 514</b>	<b>3 257 847</b>	<b>1 654 084</b>	<b>1 174 089</b>	<b>316 856</b>	<b>372 649</b>	<b>6 908</b>	<b>17 488 947</b>
Increase	44 790	222 263	29 156	1 659	0	0	0	297 867
Decrease	-6 607 127	-311 982	-1 033 163	-168 913	-260 676	-360 954	-7 034	-8 749 849
Total 31/12/2019 € Théorique	4 144 177	3 168 127	650 077	1 006 835	56 180	11 695	-126	745 146
Exchange différence	133 177	23 738	15 253	-5 536	5 099	-11 695	126	160 163
<b>Total 2019</b>	<b>4 277 354</b>	<b>3 191 865</b>	<b>665 330</b>	<b>1 001 300</b>	<b>61 279</b>	<b>0</b>	<b>0</b>	<b>9 197 128</b>

AMORTIZATION								
€	Buildings	Machine Equip	Office Equip	Vehicule	Electronic Equip	Accessory Equip	Kitchen Equip	Total
<b>Total 2018</b>	<b>2 270 952</b>	<b>1 799 340</b>	<b>911 309</b>	<b>1 028 904</b>	<b>148 855</b>	<b>110 871</b>	<b>2 494</b>	<b>6 272 725</b>
Increase	203 801	163 225	15 642	23 228	800	0	0	406 695
Decrease	-6 909	-43 289	-387 044	-160 467	-94 104	-115 937	-2 539	-810 289
Total 31/12/2019 € Théorique	2 467 844	1 919 276	539 907	891 665	55 551	-5 066	-45	5 513 802
Exchange différence	13 675	11 235	10 476	5 695	2 073	5 066	45	48 264
<b>Total 2019</b>	<b>2 481 519</b>	<b>1 930 510</b>	<b>550 383</b>	<b>897 360</b>	<b>57 623</b>	<b>0</b>	<b>0</b>	<b>5 917 396</b>



## 7. CONSTRUCTION IN PROGRESS

€	Buiding Hotel	Building Dorminatory	Total
<b>Total 2018</b>	<b>657 593</b>	<b>0</b>	<b>657 593</b>
Increase	0	0	0
Decrease	-657 593	0	-657 593
Total théorique 31/12/2018	0	0	657 593
Exchange difference	0	0	0
<b>Total 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 8. INTANGIBLE ASSETS

Financial year ended December 31th		
€	2019	2018
Land in use right and software	530 134	995 657
Accumulated	10 485	10 485
Echange difference	-172 681	-173 021
<b>Total</b>	<b>346 967</b>	<b>812 151</b>

The term of the land in use right is 2051.

## 11. BANK BORROWINGS

Financial year ended Décembre 31th				Financial year ended Décembre 31th			
2019				2 018			
Euros	Amount	Maturity	Rate	Euros	Amount	Maturity	Rate
Bank of China	1 022 952	02/03/2020	5,2200%	Bank of China	1 015 860	43 711	5,4375%
Bank of China	589 476	12/03/2020	5,2200%	Bank of China	585 389	43 724	5,4375%
Bank of China	753 149	28/09/2020	5,2200%	Bank of China	747 927	43 747	5,4375%
Bank of China	984 592	10/10/2020	5,2200%	Bank of China	977 765	43 753	5,4375%
Bank of China	1 022 952	14/10/2020	5,2200%	Bank of China	1 015 860	43 755	5,4375%
Bank of China	1 112 461	16/10/2020	5,2200%	Bank of Chine	1 104 748	43 760	5,4375%
Bank of communication	383 607	20/09/2020	5,1330%	Bank of communication	380 948	43 716	5,1330%
Bank of communication	537 050	18/11/2020	5,1330%	Bank of communication	533 327	43 795	5,1330%
Bank of communication	191 804	12/11/2020	5,1330%	Bank of communication	190 474	43 777	5,1130%
Bank of Hua Xia	1 854 101	14/05/2020	6,5000%	Bank of Hua Xia	888 878	43 600	6,5250%
				Bank of Hua Xia	1 015 860	43 602	6,5250%
SPD bank	1 278 691	06/12/2020	5,4810%	SPD bank	1 269 825	43 451	5,6550%
SPD bank	575 411	26/11/2020	5,4810%	SPD bank	126 983	43 800	5,6550%
SPD bank	127 869	26/11/2020	5,4810%	SPD bank	698 404	43 805	5,6550%
SPD bank	959 018	07/03/2020	5,4810%	SPD bank	952 369	43 530	6,5250%
Hengfeng	1 662 298	30/07/2020	5,2200%	Hengfeng	1 650 773	43 678	5,2200%
Shengzhou Ruifeng village bank	626 558	03/09/2020	8,0475%	Shengzhou Ruifeng village bank	622 214	43 713	8,0475%
Others	0			Others	6 185 318		
<b>Total</b>	<b>13 681 990</b>			<b>Total</b>	<b>19 962 921</b>		

## 12. NOTES PAYABLE

Financial year ended December 31th				
Euros	2019		2018	
	Amount	Maturity	Amount	Maturity
Bank of China	0		444 439	12/11/2019
Bank of China	0		444 439	13/11/2019
Bank of China	0		444 439	14/11/2019
Bank of China	0		190 474	04/12/2019
<b>Total</b>	<b>0</b>		<b>1 523 790</b>	

## 13. TRADE CREDITORS

Financial years ended December 31th		
Euros	2019	2018
Suppliers payable	<u>1 847 823</u>	<u>2 214 040</u>
<b>Total</b>	<b>1 847 823</b>	<b>2 214 040</b>

## 14. ADVANCES RECEIVED FROM CUSTOMERS

Financial year ended December 31th		
€	2019	2018
Advance from customers	<u>610 406</u>	<u>1 834 041</u>
<b>Total</b>	<b>610 406</b>	<b>1 834 041</b>

## 15. TAXES PAYABLES

Financial year ended December 31th		
€	2019	2018
vat	51 482	45 241
income tax	9 729	6 963
Stamp duty	111	23 477
Individual income tax	877	524
Urban construction tax	5 656	6 205
property tax	8 287	23 758
land in use tax	-52	3 631
Wealth tax-Tax payable	9 630	4 815
Residual premium	0	215
Real estate tax	12 327	30 114
<b>Total</b>	<b>98 048</b>	<b>144 969</b>

## 16. OTHER PAYABLE

Financial year ended December 31th		
€	2019	2018
Other payable	2 928 671	2 871 133
<b>Total</b>	<b>2 928 671</b>	<b>2 871 133</b>

There is no arrears of shareholders holding more than 5% of voting shares in other account payable year end

## 17. 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, 2019, 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
<b>Total:</b>	<b>1 753 667 shares</b>

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, 2019.

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

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.

€ December 31th, 2019	
Domestic Sales	<u>16 078 278</u>
<b>Total</b>	<b>16 078 278</b>

### 2. MAIN OPERATING COSTS

€ December 31th, 2019	
Raw materials	<u>13 516 636</u>
<b>Total</b>	<b>13 516 636</b>

### 3. INCOME FROM OTHER OPERATIONS

€ December 2019, 31th	
Sales raw material	115 999
Electricity bill	23 466
Rent	36 209
Mold Sales	2 132
Sample sales	208
<b>Total</b>	<b>178 013</b>

### 4. SELLING EXPENSES

€ December 31th 2019	
Avertising	776
Freight	166 522
Exhibition fee	22 220
Packing Expenditure	9 258
Express fee	4 324
Wages	96 577
Other	1 148
<b>Total</b>	<b>300 824</b>

### 5. GENERAL & ADMINISTRATIVE EXPENSES

€ December 31th 2019	
Amortization of long-term prepaid expenses	39 479
Depreciation	243 120
Salary	406 081
House accumulation fund	11 718
Expenses on bussiness entertainment	110 950
Social Sécurité cost	142 541
Taxe	50 797
Audit and consulting fees	39 479
Bad debt provision	41 706
Rent	547
R & D Cost	527 731
Repair cost	17 502
Office allowance	39 479
Labor wages	498 498
Consulting fee assets	47 597
Other	292 074
<b>Total</b>	<b>2 509 299</b>

## 6. FINANCIAL EXPENSES

€	December 31th 2019
Interest expenses	884 520
Procedures fees	1 843
Interest income	-28 905
Exchange gains and losses	2
Foreign exchange loss	1 092
<b>Total</b>	<b>858 551</b>

## 7. NON-OPERATING INCOME

€	December 31th 2019
Fixed asset clean up	75 968
Compensate	7 949
Financial subsidy	2 483
<b>Total</b>	<b>86 400</b>

## 8. NON-OPERATING EXPENSES

€	December 31th 2019
Fixed assets liquidation	11 939
Penalties	7
overdue payment	142
Fine expenditures	453
<b>Total</b>	<b>12 542</b>

## 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

	2019	2018
Administration staff	56	63
Production staff	129	165
Recherche et développement	21	21
Service staff	25	25
Selling staff	8	7
<b>Total</b>	<b>239</b>	<b>281</b>

## VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Mortgage agreement

Pledged Assets	Area	Amount (€)	Mortgagee
House Propety (Shaoxing sanding)	1090,31 M²	1 278 691	SPD Bank
House Propety (zhejiang sanding)	1057,43 M²	1 150 822	Bank of Hua Xia
House Propety (zhejiang sanding)	31330,98 M²	4 859 024	Bank of China
House Propety (zhejiang sanding)	147,58 M²	383 607	Bank of communication
House Propety (zhejiang sanding)	105,7 M²	191 804	
House Propety (zhejiang sanding)	253,35M²	537 050	
<b>TOTAL</b>		<b>8 400 997</b>	

Guarantee Given

Pledged Assets	Amount (€)	Beneficiary	Mortgagee
Shaoxing sanding	1 534 428,74	Shengzhou xinhua Bearing Ltd.	Bank of Hengfeng
Shaoxing sanding	1 662 297,81	Shengzhou Yuying Profil étiré à froid en métal Co., Ltd.	SPD Bank
Shaoxing sanding	639 345,31	Shengzhou Qiandai Necktie Weaving Co., Ltd.	Bank of Ruifeng
Zhejiang sanding	703 279,84	Shengzhou Qiandai Necktie Weaving Co., Ltd.	Bank of Huaxia
Zhejiang sanding	639 345,31	Shengzhou Qiandai Necktie Weaving Co., Ltd.	Bank of China
<b>Total</b>	<b>5 178 697,01</b>		

## 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, 2019, the company's financial instruments mainly consist of cash equivalents, receivables and payables.

#### **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 consolidated financial statements.