

TOOLUX SANDING S.A

Registered office: 3B, Boulevard du Prince Henri

L-1724 LUXEMBOURG

R.C.S Luxembourg B-142.041

Unaudited Consolidated Interim

Financial Statements for the period

From January 1, 2020 until June 30, 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

TOOLUX SANDING SA

ITEMS	From January 1, 2020 to June 30,2020	From January 1, 2019 to December 31,2019	From January 1, 2019 to June 30,2019
SALES OF MAIN OPERATIONS	3 829 548	16 078 278	5 408 983
Less:cost of main operations	-2 753 059	-13 516 636	-3 549 194
GROSS PROFIT	1 076 489	2 561 642	1 859 789
Add: Income from other operations	33 840	178 013	97 600
Less: Selling expenses	-124 837	-300 824	-316 591
Less: General and administrative expenses	-886 123	-2 509 299	-1 354 207
Less: Financial expenses	-461 776	-858 551	-697 650
OPERATING INCOME	-362 407	-929 019	-411 059
Investment income(loss expressed with "-")	30 465	-3 582 724	3 369
Non-operating income	3 860	86 400	76 720
Less:Sales tax and additions	-30 884	-36 331	-20 891
Less:Non-operating expenses	-265	-12 542	-11 514
PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")	-359 231	-4 474 216	-363 375
Less: Income tax		-7 583	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-359 231	-4 481 799	-363 375
PROFIT PER SHARE (BASIC AND DILUTED)	-0, 20	-2, 56	-0, 21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(euros)

From January 1, 2020 to June 30, 2020

TOOLUX SANDING SA

ITEMS	June 30, 2020	December 31, 2019	June 30, 2019
NON CURRENT ASSETS :			
Property, plant and equipment	9 085 214	9 197 128	17 359 100
Less: Accumulated depreciation	-6 038 006	-5 917 396	-6 500 017
Property, plant and equipment (net value)	3 047 208	3 279 732	10 859 083
Construction in progress			670 119
Intangible assets	337 351	346 967	812 787
Long-term investment	154 921	156 930	156 970
Long-term prepaid assets	12 574	15 146	23 708
Deferred tax assets			
TOTAL NON CURRENT ASSETS	3 552 054	3 798 775	12 522 667
CURRENT ASSETS:			
Inventories	1 743 324	2 724 509	2 884 790
Trade debtors	1 523 176	1 307 605	958 417
Other receivable	7 060 636	7 007 949	7 368 443
Advances to suppliers	4 526 649	4 634 812	5 820 722
Cash and cash equivalents	6 443 159	5 904 951	7 200 807
TOTAL CURRENT ASSETS	21 296 944	21 579 826	24 233 179
TOTAL ASSETS	24 848 998	25 378 601	36 755 846
CURRENT LIABILITIES:			
Bank borrowings	13 317 513	13 681 990	19 276 076
Notes payable	1 262 323		1 534 821
Trade creditors	2 481 032	1 847 823	2 133 414
Advances received from customers	60 148	610 406	833 630
Accrued payroll	123 469		153 107
Welfare benefits payable	30 076	173 704	30 473
Taxes payable	108 087	98 048	44 027
Other levies payable	8 525	7 497	5 454
Other payable	1 875 099	2 928 671	2 573 355
TOTAL CURRENT LIABILITIES	19 266 272	19 348 139	26 584 357
OWNERS'/SHAREHOLDERS' EQUITY			
Subscribed capital	1 753 667	1 753 667	1 753 667
Other reserves	1 350 652	1 709 883	5 828 306
Exchange differences on translating foreign operations	2 478 407	2 566 912	2 479 527
TOTAL OWNERS' EQUITY	5 582 726	6 030 462	10 061 500
Non-controlling interests			109 989
TOTAL LIABILITIES & OWNERS' EQUITY	24 848 998	25 378 601	36 755 846

Toolux Sanding SA

Notes to the Consolidated Financial Statements for the six months period ended June 30, 2020

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 six months period ended June 30, 2020.

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, 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 six months period ended June 30, 2020 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 = 7.9219 Rmb as of June 30, 2020) and the average rate of exchange for the income statements items (1 Euro = 7.7481 Rmb for the period ended June 30, 2020).

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 interim financial statements (June 30, 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.