TOOLUX SANDING S.A

Registered office: 69, Bd de la Petrusse
L-2320 LUXEMBOURG
R.C.S Luxembourg B-142.041

Unaudited Consolidated Interim
Financial Statements for the period
From January 1, 2010 until June 30, 2010

- FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

TOOLUX SANDING SA

ITEMS	From January 1, 2010 to June 30,2010	From January 1, 2009 to December 31,2009
SALES OF MAIN OPERATIONS	5 098 038	9 147 342
Less:cost of main operations	-3 834 255	-6 847 434
GROSS PROFIT	**1 263 783**	**2 299 908**
Add: Income from other operations	28 647	128 364
Less: Selling expenses	-215 067	-334 160
General and administrative expenses	-790 246	1 838 059
Financial expenses	1	91 176
OPERATING INCOME	**287 118**	**164 877**
Investment income(loss expressed with "-")	217	1 982
Non-operating income	82 270	1 221 791
Less:Sales tax and additions	-7 637	-17 340
Less:Non-operating expenses	-6 038	-20 288
PROFIT BEFORE TAX (LOSS	**355 930**	**1 351 022**

EXPRESSED WITH "-")		
Badwill		
Less: Income tax		-307 584
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**355 930**	**1 043 438**
PROFIT PER SHARE (BASIC AND DILUTED)	0,20	0,60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1,2010 to June 30, 2010

TOOLUX SANDING SA

ITEMS	**June 30,2010**	**December 31,2009**
NON CURRENT ASSETS :		
Property, plant and equipment	*7 441 557*	*6 251 830*
Less:Accumulated depreciation	*-2 237 275*	*-1 700 492*
Property, plant and equipment (net value)	5 204 282	4 551 338
Construction in progress	1 735 203	1 632 500
Intangible assets	864 883	717 898
Investements in associates	53 561	45 341
Long-term prepaid assets	55 280	34 967
Deferred tax assets	51 342	40 055
TOTAL NON CURRENT ASSETS	**7 964 551**	**7 022 099**
CURRENT ASSETS:		
Inventories	981 093	759 242
Trade debtors	2 454 843	2 075 245
Other receivable	11 573 766	2 670 874
Advances to suppliers	1 996 565	1 851 158
Cash and cash equivalents	5 159 359	3 770 424
TOTAL CURRENT ASSETS	**22 165 626**	**11 126 943**
TOTAL ASSETS	**30 130 177**	**18 149 042**

CURRENT LIABILITIES:		
Bank borrowings	9 610 118	3 660 396
Notes payable	3 603 344	508 388
Trade creditors	2 057 336	1 696 152
Advances received from customers	431 096	249 345
Accrued payroll	238 019	0
Welfare benefits payable	26 737	215 705
Taxes payable	26 678	320 951
Other levies payable	2 511	2 778
Other payable	2 155 348	1 669 974
TOTAL CURRENT LIABILITIES	**18 151 187**	**8 323 689**
OWNERS'/SHAREHOLDERS' EQUITY		
Subscribed capital	1 753 667	1 753 667
Other reserves	10 381 450	8 290 773
Exchange differences on translating foreign operations	-194 089	-254 735
TOTAL OWNERS' EQUITY	**11 941 028**	**9 789 705**
Non-controlling interests	37 962	35 648
TOTAL LIABILITIES & OWNERS' EQUITY	**30 130 177**	**18 149 042**

Toolux Sanding SA
Notes to the Consolidated Interim Financial Statements for the six months period ended June 30, 2010

I. General Information

The consolidated interim 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, 2010.

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

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

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

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.

On May 12, 2010, Giant Dragon Holding Ltd has been dissolved after the decision of the Company. All the assets and liabilities of Giant Dragon have been taken by the Company.

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 interim financial statements for the six months period ended June 30, 2010 were prepared on the basis of 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 interim 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 interim 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 interim 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 period end rate for the balance sheet items (1 Euro = 8.3258 Rmb as of June 30, 2010) and the average rate of exchange for the income statements items (1Euro = 9.2357 Rmb for the six months period ended June 30, 2010). 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 interim financial statements (June 30, 2010).

The associated company Shengzhou Sanding Sanheng Co Ltd is accounted for using the equity method.

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.

Investments in associates

Associates are all entities over which the Group has significant influence (power to participate in the financial and operating policy decisions of the investee) but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost except for situation when the investor's share of the net fair value of the associate's identifiable assets and liabilities is over the cost of the investment and it is recognized as income in the investor's share of the associate's profit or loss in the period in which the investment is acquired.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss for the period, and its share of post-acquisition movements in other comprehensive income is recognized separately as a component of other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

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.