

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, 2017**

**INDEPENDENT AUDITOR'S REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS
OF TOOLUX SANDING SA AS AT 31 DECEMBER 2017**

To the shareholders of Toolux Sanding SA,

Following the Company's request, we have audited the accompanying consolidated financial statements of Toolux Sanding SA ("the Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at December 31st 2017, 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 31st, 2017 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, June 15th, 2018

BCRH & Associés

Société d'Expertise Comptable et de Commissariat aux Comptes

A handwritten signature in black ink, appearing to read 'F. Sors', is written over a light blue rectangular stamp. The signature is slanted to the right.

François Sors
Associé

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2017 to December 31,2017	From January 1, 2016 to December 31,2016
SALES OF MAIN OPERATIONS	IV(II) (1)	12 421 570	10 809 265
Less:cost of main operations	IV(II) (2)	-8 862 566	-7 606 072
GROSS PROFIT		3 559 004	3 203 193
Add: Income from other operations	IV(II) (3)	102 578	120 929
Less: Selling expenses	IV(II) (4)	-567 936	-411 589
Less: General and administrative expenses	IV(II) (5)	-2 262 870	-1 922 565
Less: Financial expenses	IV(II) (6)	-1 333 446	-1 407 050
OPERATING INCOME		-502 670	-417 082
Investment income(loss expressed with "-")		-149 236	101 608
Non-operating income	IV(II) (7)	197 749	50 994
Less:Sales tax and additions		-68 611	-56 960
Less:Non-operating expenses	IV(II) (8)	-14 233	-32 185
PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")		-537 001	-353 625
Less: Income tax		-32 568	-225 934
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-569 569	-579 559
PROFIT PER SHARE (BASIC AND DILUTED)		-0,32	-0,33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euros)

From January 1, 2017 to December 31, 2017

TOOLUX SANDING SA

ITEMS	NOTE	December 31,2017	December 31,2016
NON CURRENT ASSETS :			
Property, plant and equipment	IV(I) (6)	17 640 654	11 874 475
Less:Accumulated depreciation	IV(I) (6)	-5 873 617	-5 524 724
Property, plant and equipment (net value)	IV(I) (6)	11 767 037	6 349 751
Construction in progress	IV(I) (7)	428 567	6 922 163
Intangible assets	IV(I) (8)	830 015	896 118
Long-term investment		157 254	167 655
Long-term prepaid assets		114 524	56 820
Deferred tax assets			
TOTAL NON CURRENT ASSETS		13 297 397	14 392 507
CURRENT ASSETS:			
Inventories	IV(I) (5)	1 546 142	1 108 850
Trade debtors	IV(I) (2)	2 627 365	2 381 832
Other receivable	IV(I) (3)	8 925 163	11 641 996
Advances to suppliers	IV(I) (4)	6 977 970	6 343 569
Cash and cash equivalents	IV(I) (1)	6 026 307	8 936 665
TOTAL CURRENT ASSETS		26 102 947	30 412 912
TOTAL ASSETS		39 400 344	44 805 419
CURRENT LIABILITIES:			
Bank borrowings	IV(I) (11)	20 501 256	22 649 654
Notes payable	IV(I) (12)	256 266	1 092 866
Trade creditors	IV(I) (13)	1 465 596	1 523 959
Advances received from customers	IV(I) (14)	199 843	577 561
Welfare benefits payable		165 437	132 553
Taxes payable	IV(I) (15)	192 308	178 711
Other levies payable		10 502	
Other payable	IV(I) (16)	4 351 221	5 065 063
TOTAL CURRENT LIABILITIES		27 142 429	31 220 367
OWNERS'/SHAREHOLDERS' EQUITY			
Subscribed capital		1 753 667	1 753 667
Other reserves		7 923 042	8 492 610
Exchange differences on translating foreign operations		2 688 689	3 206 985
TOTAL OWNERS' EQUITY		12 365 398	13 453 262
Non-controlling interests		-107 483	131 790
TOTAL LIABILITIES & OWNERS' EQUITY		39 400 344	44 805 419

CONSOLIDATED CASH FLOW STATEMENT (euros)

ITEMS	31 December 2017	31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	-447 263	-459 562
Adjustements for :		
Exchange difference	-552 434	-168 399
Impairment loss for doubtful accounts	-25 017	-19 732
Depreciation of property, plant and equipment	691 657	197 138
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	-333 057	-450 555
WORKING CAPITAL CHANGES		
Trade debtors	-390 762	163 934
Other receivable	1 983 908	8 996 133
Advances to suppliers	-1 027 968	-325 728
Inventories	-506 088	-582 853
Notes payable	-768 797	-4 862 477
Accounts payable	36 187	-400 833
Advances from customers	-341 885	387 945
Welfare benefit payable		
Accrued payroll	12 063	-5 672
Taxes payable	19 819	-131 569
Other levies payable	39 547	-8 129
Other payable	-186 825	-341 405
CASH FROM OPERATING ACTIVITIES	-1 463 858	2 438 791
Income tax	-212 844	-229 144
NET CASH FROM OPERATING ACTIVITIES	-1 676 702	2 209 647
INVESTING ACTIVITIES		
Long term equity investment		
Purchase of property, land and equipment	-6 502 894	-491 180
Intangible assets	10 507	12 786
Construction in progress	6 064 132	-550 287
Long term prepaid assets	-61 229	188 155
NET CASH FROM INVESTING ACTIVITIES	-489 485	-840 526
FINANCING ACTIVITIES		
Short term loans received	20 501 256	22 551 012
Short term loans repaid	-21 244 426	-20 238 785
NET CASH FROM INVESTING ACTIVITIES	-743 171	2 312 227
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-2 909 358	3 681 348
CASH AND CASH EQUIVALENTS BEGINING OF YEAR	8 936 665	5 255 317
CASH AND CASH EQUIVALENTS END OF YEAR	6 027 307	8 936 665
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-2 909 358	3 681 348

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
Balance as at 1th January 2015	1 753 667	8 959 913	2 994 370	130 212	13 838 162
Exchange difference			893 695		893 695
Net profit for the year/period		112 256			112 256
Minority interests				3 238	3 238
Balance as at 31 December 2015	1 753 667	9 072 169	3 888 065	133 450	14 847 351
Exchange difference			-681 080		-681 080
Net profit for the year/period		-579 559			-579 559
Minority interests				-1 660	-1 660
Balance as at 31 December 2016	1 753 667	8 492 610	3 206 985	131 790	13 585 052
Exchange difference					0
Net profit for the year/period		-569 569			-569 569
Minority interests			-518 295	-239 273	-757 568
Balance as at 31 December 2017	1 753 667	7 923 041	2 688 690	-107 483	12 257 915

Toolux Sanding SA

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2017

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, 2017.

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 financial year starting on January 1, 2017 and ended December 31, 2017 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 = 7.32020 Rmb as of December 31, 2016, 1 Euro = 7.8044 Rmb as of December 31, 2017) and the average rate of exchange for the income

statements items (1 Euro = 7.32020 Rmb for the year 2016, 1 Euro = 7,62911 Rmb for the year 2017). 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 2017).

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 below:

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 December, 31th					
			2017		2016
			€		€
Cash on hand			5 307		43 273
Cash at banks			6 021 000		8 893 392
Total			6 026 307		8 936 665

2. TRADE DEBTORS

Financial years ended Decembre 31th		
	2017	2016
	€	€
Trade debtors	2 627 365	2 381 832
Total	2 627 365	2 381 832

3. OTHER RECEIVABLE

Financial years ended, December 31th		
	2017	2016
	€	€
Loans to corporations (1)	7 555 378	8 827 973
Loans to individuals (2)	1 369 785	2 814 023
Total	8 925 163	11 641 996

(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%	2 131 062

4. ADVANCES TO SUPPLIERS

Financial years ended, December 31th		
	2017	2016
	€	€
Prepayment to suppliers	<u>6 977 970</u>	<u>6 343 569</u>
Total	6 977 970	6 343 569

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

5. INVENTORIES

Financial year ended December 31th		
	2017	2016
	€	€
Raw Materials	1 316 177	857 591
Low-value consumables	108 437	100 627
Products in work	11 294	43 093
Finished Products	25 865	107 539
Inventory goods	<u>84 369</u>	<u>0</u>
Total	1 546 142	1 108 850

There is no impairment on the inventories as at December 31, 2017 and 2016.

6. PROPERTY, PLANT AND EQUIPMENT

GROSS BOOK VALUES								
€	Buildings	Machine Equipmt	Office Equipmt	Vehicule	Electronic Equipmt	Accessory Equipmt	Kitchen Equipmt	Total
Total 2016	5 223 808	2 851 804	1 563 821	1 636 231	266 260	325 713	6 839	11 874 476
Increase	6 183 169	212 504	443 810	11 157	69 986	42 170	556	6 963 352
Decrease	0	0	-428 477	-31 981	0	0	0	-460 458
Exchange différence	-324 095	-176 932	-97 023	-101 515	-16 519	-20 208	-424	-736 716
Total 2017	11 082 882	2 887 377	1 482 131	1 513 893	319 727	347 674	6 971	17 640 654

AMORTIZATION								
€	Buildings	Machine Equipmt	Office Equipmt	Vehicule	Electronic Equipmt	Accessory Equipmt	Kitchen Equipmt	Total
Total 2016	2 021 385	1 583 963	416 830	1 447 076	55 470			5 524 724
Increase	201 960	159 490	200 651	50 388	50 755	55 938	1 258	720 440
Decrease	0	0	0	-28 783	0	0	0	-28 783
Exchange différence	-125 411	-98 272	-25 861	-89 780	-3 441	0	0	-342 765
Total 2017	2 097 934	1 645 181	591 620	1 378 902	102 784	55 938	1 258	5 873 617

7. CONSTRUCTION IN PROGRESS

€	Buiding Hotel	Building Dorminatory	Total
Total 2016	6 922 163	0	6 922 163
Increase	518 404	0	518 404
Decrease	-6 582 471	0	-6 582 471
Exchange difference	-429 528	0	-429 528
Total 2017	428 567	0	428 567

8. INTANGIBLE ASSETS

Financial year ended December 31th		
€	2017	2016
Land in use right and software	986 663	1 114 161
Accumulated	182 316	184 650
Echange difference	25 668	-33 393
Total	830 015	896 118

The term of the land in use right is 2051.

11. BANK BORROWINGS

Financial year ended Décembre 31th				Financial year ended Décembre 31th			
Euros	2017			2016			
	Amount	Maturity	Rate	Amount	Maturity	Rate	
Bank of China	1 025 063	30/11/2018	5,2200%	1 092 866	01/12/2017	5,2200%	
Bank of China	858 490	23/11/2018	5,2200%	1 051 884	05/12/2017	5,2200%	
Bank of China	754 702	17/10/2018	5,0025%	804 623	15/11/2017	5,2200%	
Bank of China	986 623	19/10/2018	5,0025%	1 051 884	21/11/2017	5,2200%	
Bank of China	1 025 063	22/10/2018	5,0025%	1 092 866	24/11/2017	5,2200%	
Bank of China	987 904	13/09/2018	5,2200%	1 053 250	01/11/2017	5,2200%	
Bank of china	128 133	01/08/2018	5,2200%				
Bank of communication	768 797	12/11/2018	5,3505%	819 650	27/06/2017	5,3505%	
Bank of communication	192 199	12/11/2018	5,3505%	1 215 814	28/07/2017	5,3505%	
Bank of communication	1 358 208	30/10/2018	5,3505%	683 041	28/10/2017	5,3505%	
Bank of Zhao Shang	1 665 727	11/12/2018	5,6550%	1 366 083	14/01/2017	6,9600%	
Bank of Zhao Shang	1 665 727	11/12/2018	5,6550%	1 366 083	14/01/2017	6,9600%	
Bank of Zhao Shang	1 153 196	11/12/2018	5,6550%	1 366 083	14/01/2017	6,9600%	
Bank of Zhao Shang	192 199	03/04/2018	5,6550%	1 366 083	14/01/2017	6,9600%	
Bank of Hua Xia	960 996	17/05/2018	6,8000%	1 092 866	15/05/2017	6,8000%	
Bank of Hua Xia	1 025 063	18/05/2018	6,8000%	1 092 866	27/05/2017	6,8000%	
SPD bank	1 281 328	17/12/2018	4,7850%	683 041	25/02/2017	4,7850%	
SPD bank	1 921 993	11/03/2018	4,7850%	683 041	27/12/2017	4,3500%	
SPD bank				2 049 124	28/12/2017	4,7850%	
Hengfeng	1 921 993	01/08/2018	5,2200%	2 049 124	01/09/2017	5,2200%	
Shengzhou Ruifeng village bank	627 851	10/09/2018	6,5250%	669 381	11/10/2017	6,5250%	
Total	20 501 256			22 649 654			

12. NOTES PAYABLE

Financial year ended December 31th				
Euros	2017		2016	
	Amount	Maturity	Amount	Maturity
Shengzhou Ruifeng village bank	128 133	08/06/2018	683 041	27/04/2016
Bank of Zhao Shang	128 133	19/06/2018	409 825	19/01/2017
Total	256 266		1 092 866	

13. TRADE CREDITORS

Financial years ended December 31th		
Euros	2017	2016
Suppliers payable	<u>1 465 596</u>	<u>1 523 959</u>
Total	1 465 596	1 523 959

14. ADVANCES RECEIVED FROM CUSTOMERS

Financial year ended December 31th		
€	2017	2016
Advance from customers	<u>199 843</u>	<u>577 561</u>
Total	199 843	577 561

15. TAX PAYABLE

Financial year ended December 31th		
€	2017	2016
Sales tax	0	67 651
Vat	104 932	29 208
Turnover tax	0	23 675
Income tax	62 786	36 838
Stamp duty	143	188
Individual income tax	1 453	7 197
Urban construction tax	9 711	6 685
Property tax	8 304	7 270
Land in use tax	0	0
Wealth tax-Tax payable	4 815	0
Residual premium	99	0
Rural education surtax	26	0
education surtax	39	0
Total	192 308	178 712

16. OTHER PAYABLE

Financial year ended December 31th		
€	2017	2016
Other payable	<u>4 351 221</u>	<u>5 065 063</u>
Total	4 351 221	5 065 063

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, 2017, the shareholders of the Company are:

Crystal Sky Holding Limited, (Samoa) :	1 319 825 shares
Kunyuanyuan Capital Limited, (British Virgin Islands) :	79 428 shares
Meridian International Co Ltd, (Usa) (1) :	350 734 shares
Other :	3 680 shares
Total:	1 753 667 shares

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, 2017.

The company's board of directors is authorized until October 2nd, 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

€		December 31th, 2017
Domestic Sales		<u>12 421 570</u>
Total		12 421 570

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

€		December 31th, 2017
Raw materials		6 788 133
Wages		1 038 840
OEM		177 240
Manufacturing cost		620 379
Other		<u>237 974</u>
Total		8 862 566

3. INCOME FROM OTHER OPERATIONS

€		December 2017, 31th
Sales raw material		50 293
Electricity bill		22 339
Rent		26 700
Sample sales		126
Scrap sales		<u>3 119</u>
Total		102 578

4. SELLING EXPENSES

€	December 31th 2017
Avertising	13 914
Inspection fees	13 779
Freight	134 702
Exhibition fee	30 273
Packing Expenditure	59 587
Express fee	5 435
Wages	243 770
Welfare funds	13 855
Costumes	1 070
Washing cost	9 889
Operating items	20 142
Afforestation fees	958
Decoration	7 309
Other	13 255
Total	567 935

5. GENERAL & ADMINISTRATIVE EXPENSES

€	December 31th 2017
Amortization of long-term prepaid expenses	27 059
Amortization of low value articles	11 428
Depreciation	332 709
Salary	489 701
House accumulation fund	34 999
Expenses on bussiness entertainment	140 738
Social Sécurité cost	264 656
Taxe	146 906
Audit and consulting fees	38 670
Bad debt provision	-24 587
Rent	23 719
R & D Cost	144 846
Repair cost	98 769
Office allowance	39 961
Power rate	64 950
Correspondence	8 292
Traveling expenses	5 380
Security services	31 378
Gasoline	3 344
Vehicles maintenance	6 862
Insurance premium	3 957
Materials	4 275
Other	364 857
Total	2 262 869

6. FINANCIAL EXPENSES

€	December 31th 2017
Interest expenses	1 372 361
Procedures fees	6 217
Interest income	-31 059
Exchange gains and losses	-7 799
Foreign exchange loss	-6 275
Total	1 333 446

7. NON OPERATING INCOME

€	December 31th 2017
Employee indemnity	37
Return from Shengzhou Local Taxation Bureau	22 716
Government grants	107 191
Compensate	1 704
Patent award	12 243
Others	5 346
Total	149 236

8. NON OPERATING EXPENSES

€	December 31th 2017
Fixed assets liquidation	1 999
Employee compensation	2 687
overdue payment	1 174
Sponsorship Expense	655
Fine expenditures	400
Individual income tax paid by company	5 483
Others	1 835
Total	14 233

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

	2017	2016
Administration staff	80	66
Production staff	160	156
Recherche et développement	10	10
Service staff	24	21
Selling staff	20	16
Total	294	269

VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Pledged Assets	Area	Amount (€)	Mortgagee
House Propety (Shaoxing sanding)	1090,31m2	2 197 478,35	SPD bank
Land Use Right (Shaoxing sanding)	422,93 m2 2011-03782		
House Propety (zhejiang sanding)	1057,43m2	1 661 883,04	Bank of Hua Xia
Land Use Right (zhejiang sanding)	410,18m2 2011-03761 2011-03785 2011-03783		
House Propety (zhejiang sanding)	31330,98 m2		
Land Use Right (zhejiang sanding)	34178,6m2 2004-4-3716 2004-4-3717 2004-4-3718 2007-4-1320	6 643 688,18	Bank of China
House Propety (zhejiang sanding)	1814,04 m2	1 281 328,48	Bank of communication
Land Use Right (zhejiang sanding)	594,79 m2 2010-03493		
House Propety (zhejiang sanding)	14032,25 m2	10 285 223,72	Bank of Zhao Shang
Land Use Right (zhejiang sanding)	6354,51 m2 2014-04336		
TOTAL		22 069 601,76	

Pledged Assets	Amount (€)	Beneficiary	Mortgagee
Shaoxing sanding	1 281 328,48	Shengzhou xinhua Bearing Ltd.	Bank of commerce de Zhejiang
Shaoxing sanding	2 818 922,66	Shengzhou Yu Surplus Metal Cold Pull Profiles	Shengzhou branch of citic bank
Shaoxing sanding	384 398,54	Shengzhou fuel materials	Bank of commerce de Zhejiang
Shanxing sanding	743 170,52	Shengzhou hongyang plastic limited company	Bank of commerce de Zhejiang
Zhejiang sanding	2 562 656,96	Shengzhou Yuying metal cold-drawn Material Co,Ltd	Bank of China
Zhejiang sanding	640 664,24	Shengzhou Yuying metal cold-drawn Material Co,Ltd	Bank of Zhao Shang
Zhejiang sanding	653 477,53	Shengzhou Yuying metal cold-drawn Material Co,Ltd	Citic bank
Zhejiang sanding	-	Shengzhou xinhua Bearing Co, Ltd.	Bank of China
Total	9 084 618,93		

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, 2017, 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.