

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
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INDEPENDENT AUDITOR'S REVIEW REPORT

**CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011**

**INDEPENDENT AUDITOR'S REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS
OF TOOLUX SANDING SA AS AT 31 DECEMBER 2011**

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 2011, 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, 2011 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) and VIII of the following notes of the consolidated financial statements.

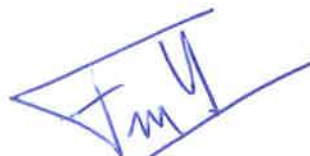
Report on other legal requirements

The consolidated management report, which is the responsibility of the board of directors, is consistent with the consolidated financial statements.

Paris, May 11th, 2012

BCRH & Associés

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François Sors
Associé

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2011 to December 31,2011	From January 1, 2010 to December 31,2010
SALES OF MAIN OPERATIONS	IV(II) (1)	9 181 524	10 515 815
Less:cost of main operations	IV(II) (2)	-6 916 350	-7 751 813
GROSS PROFIT		2 265 174	2 764 002
Add: Income from other operations	IV(II) (3)	507 502	175 607
Less: Selling expenses	IV(II) (4)	-376 916	-569 508
Less: General and administrative expenses	IV(II) (5)	-1 656 507	-1 872 153
Less: Financial expenses	IV(II) (6)	-554 280	-71 483
OPERATING INCOME		184 973	426 465
Investment income(loss expressed with "-")		-26 716	-25 790
Non-operating income	IV(II) (7)	209 261	65 493
Less:Sales tax and additions		-47 526	-19 008
Less:Non-operating expenses	IV(II) (8)	-21 900	-17 032
PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")		298 092	430 128
Less: Income tax		-150 762	-134 726
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		147 330	295 402
PROFIT PER SHARE (BASIC AND DILUTED)		0,08	0,17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1, 2011 to December 31, 2011

TOOLUX SANDING SA

ITEMS	NOTE	December 31, 2011	December 31, 2010
NON CURRENT ASSETS :			
Property, plant and equipment	IV(I) (6)	7 758 633	7 391 815
Less: Accumulated depreciation	IV(I) (6)	-3 005 297	-2 314 998
Property, plant and equipment (net value)	IV(I) (6)	4 753 336	5 076 817
Construction in progress	IV(I) (7)	196 876	2 582 268
Intangible assets	IV(I) (8)	854 482	807 272
Long-term prepaid assets		44 243	52 797
Deferred tax assets	IV(I) (9)	39 869	43 655
TOTAL NON CURRENT ASSETS		5 888 806	8 562 809
CURRENT ASSETS:			
Inventories	IV(I) (5)	387 423	786 115
Trade debtors	IV(I) (2)	2 453 389	1 954 675
Other receivable	IV(I) (3)	19 642 770	11 888 222
Advances to suppliers	IV(I) (4)	3 949 527	1 988 229
Cash and cash equivalents	IV(I) (1)	4 182 998	5 701 216
TOTAL CURRENT ASSETS		30 616 107	22 318 457
TOTAL ASSETS		36 504 913	30 881 266
CURRENT LIABILITIES:			
Bank borrowings	IV(I) (11)	14 708 046	9 408 297
Notes payable	IV(I) (12)	4 749 474	5 100 884
Trade creditors	IV(I) (13)	1 247 513	1 677 647
Advances received from customers	IV(I) (14)	139 367	1 075 760
Accrued payroll		43 603	
Welfare benefits payable		237 339	289 050
Taxes payable	IV(I) (15)	511 213	330 529
Other levies payable	IV(I) (16)	10 181	3 496
Other payable	IV(I) (17)	2 493 950	1 808 333
TOTAL CURRENT LIABILITIES		24 140 686	19 693 996
OWNERS'/SHAREHOLDERS' EQUITY			
Subscribed capital		1 753 667	1 753 667
Other reserves		8 733 503	8 586 174
Exchange differences on translating foreign operations		1 833 133	806 807
TOTAL OWNERS' EQUITY		12 320 303	11 146 648
Non-controlling interests		43 924	40 622
TOTAL LIABILITIES & OWNERS' EQUITY		36 504 913	30 881 266

CONSOLIDATED CASH FLOW STATEMENT (euros)

ITEMS	31 December 2011	31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	298 104	430 128
Adjustements for :		
Exchange difference	278 629	-294 291
Impairment loss for doubtful accounts	170 859	-35 629
Depreciation of property, plant and equipment	455 315	443 169
Interest expenses	418 333	74 239
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1 621 240	617 616
WORKING CAPITAL CHANGES		
Trade debtors	-264 175	343 519
Other receivable	-5 548 168	-9 352 951
Advances to suppliers	-1 631 925	75 491
Inventories	419 472	60 309
Deferred taxes	6 651	1 000
Notes payable	-694 637	4 534 059
Accounts payable	-550 416	-197 275
Advances from customers	-928 401	797 784
Welfare benefit payable	-5 030	48 576
Taxes payable	139 612	-27 269
Other levies payable	5 805	399
Other payable	-225 341	994 514
CASH FROM OPERATING ACTIVITIES	-7 655 313	-2 104 228
Income tax	-150 768	-134 726
NET CASH FROM OPERATING ACTIVITIES	-7 806 081	-2 238 954
INVESTING ACTIVITIES		
Long term equity investment	0	51 681
Purchase of property, land and equipment	212 221	-422 109
Intangible assets	16 694	-21 122
Construction in progress	2 353 378	-762 313
Long term prepaid assets	11 649	-26 795
Sales of Shares (Shangheng)		51 020
loss of investissement		46 032
NET CASH FROM INVESTING ACTIVITIES	2 593 942	-1 083 606
FINANCING ACTIVITIES		
Short term loans received	13 337 038	9 408 297
Short term loans repaid	-9 224 785	-4 080 707
Interest expenses	-418 333	-74 239
NET CASH FROM INVESTING ACTIVITIES	3 693 920	5 253 351
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-1 518 218	1 930 792
CASH AND CASH EQUIVALENTS END OF YEAR	4 182 998	5 701 216
CASH AND CASH EQUIVALENTS BEGINING OF YEAR	5 701 216	3 770 424
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-1 518 218	1 930 792

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
Opening balance as 2th October, 2008					
Capital increase october 13, 2008	1 350 000				1 350 000
Capital increase December 18, 2008	403 667	4 696 964			5 100 631
Exchange difference			118 154		118 154
Net profit for the year/period		2 550 438			2 550 438
Balance as at 1th January 2009	1 753 667	7 247 402	118 154		9 119 223
Exchange difference			-372 889		-372 889
Net profit for the year/period		1 043 370			1 043 370
Minority interests				35 649	35 649
Balance as at 1th January 2010	1 753 667	8 290 772	-254 735	35 649	9 825 353
Exchange difference			1 061 542		1 061 542
Net profit for the year/period		295 402			295 402
Minority interests				4 973	4 973
Balance as at 1th January 2010	1 753 667	8 586 174	806 807	40 622	11 187 270
Exchange difference			1 026 326		1 026 326
Net profit for the year/period		147 329			147 329
Minority interests				3 302	3 302
Balance as at 1th January 2011	1 753 667	8 733 503	1 833 133	43 924	12 364 227

Toolux Sanding SA

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2011

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, 2011.

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, 2011 and ended December 31, 2011 were prepared on the basis of reviewed financial statements of the following companies :

- Toolux Sanding SA (the company)
- Shaoxing Sanding Tools Ltd (People's Republic of China subsidiary) ;
- Zhejiang Sanding Tools Ltd (People's Republic of China subsidiary) ;
- Shengzhou Sanding Business Travelling Services Co Ltd (People's Republic of China subsidiary) ;

The consolidated financial statements of the Group, expressed in euros, have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in the accounting policies below.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgments, estimate and assumptions, if any, that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Foreign Currency Translation

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the subsidiaries is Renminbi ("RMB") whereas the consolidated financial statements are presented in euros, which is the Group's presentation currency.

The subsidiaries' transactions in foreign currencies are converted at the market exchange rate published by People's Bank of China on the transaction date. The ending balances of various foreign currency accounts are adjusted per the exchange rate (the medium rate) prevailing at the last month of the period.

The financial statements of the overseas subsidiaries are translated into the Group's presentation currency using the year end rate for the balance sheet items (1 Euro=8.358 Rmb as of December 31, 2011, 1 Euro=8.9975 Rmb as of December 31, 2011,) and the average rate of exchange for the income

statements items (,1 Euro=8,997831Rmb for the year 2011, 1 Euro=8.978539Rmb for the year 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 financial statements (31 December 2011).

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.

Related parties

Related parties are entities in which one or more common direct/indirect/ shareholders and/or directors have the ability to control or exercise significant influence over the other party in financial and operating decision making.

Income Recognition Principle

Revenue from the sales of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Revenue excludes value added tax.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

Retirement benefit plan

The eligible employees of the Group, who are all citizens of the People's Republic of China, are members of a state-managed retirement benefit scheme operated by the local government. The company is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the company to respect the retirement scheme is to make the specified contributions.

Income taxes

Current taxation provided at the current taxation rate based on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary

differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax liabilities are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profit will be available against which the deductible temporary differences can be recognized.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

The subsidiaries' income tax rate is 25 % of the income. In the event that the domestic equipments are purchased for the purpose of technical reconstruction and comply with national requirements on tax exempt, credit and refund, the tax will be exempt at the amount approved by the local taxation agency in the current year.

IV. Notes to the Financial Statements

(I). Consolidated statement of financial position

1. CASH AND CASH EQUIVALENTS

Financial years ended 31 December,		
	2011	2010
	Euro	Euro
Cash on hand	14 002	6 434
Cash at banks	4 168 996	5 694 782
Total	4 182 998	5 701 216

2. TRADE DEBTORS

Financial years ended 31 December,		
	2011	2010
	Euro	Euro
Trade debtors	2 453 389	1 954 675
Total	2 453 389	1 954 675

3. OTHER RECEIVABLE

Financial years ended 31 December,		
	2011	2010
	Euro	Euro
Loans to corporations (1)	12 300 623	9 253 582
Loans to individuals (2)	4 168 955	864 883
Other	3 173 192	1 769 757
Total	19 642 770	11 888 222

(1)	Annual Interest rate	Amount	Month 6-12
Shengzhou Shanghui Real Estate	10%	9 279 150	9 279 150
Zhejiang Jiuding in decoration	6,5%	1 305 339	1 305 339
Zhejiang dinglian investment	1%	1 549 400	1 549 400

(1) One of directors of the Group is a minor shareholder of Shengzhou Shanghui Real Estate.

- (2) Loans to individuals, having no contractual maturities and bearing no interest rate, are considered as short term loans.

4. ADVANCES TO SUPPLIERS

Financial years ended 31 December,		
	2011	2010
	Euro	Euro
Prepayment to suppliers	3 949 527	1 988 229
Total	3 949 527	1 988 229

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

5. INVENTORIES

Financial years ended 31 December		
	2011	2010
	Euro	Euro
Raw Material	229 907	642 857
Product in work	71 438	24 992
Finished Products	86 077	118 266
Total	387 423	786 115

There is no impairment on the inventories as at December 31, 2011 and 2010.

6. PROPERTY, PLANT AND EQUIPMENT

Gross book values					
Euro	Buildings	Prod Equipmt	Office equimt	Véhicules	Total
Total 31/12/2010	4 125 429	1 755 810	296 845	1 213 732	7 391 815
Increase	1 176 027	139 948	27 462	13 659	1 357 096
Decrease	1 591 132	0	0	0	0
Exchange difference	335 342	142 724	24 129	98 660	600 855
Total 31/12/2011	4 045 665	2 038 482	348 436	1 326 050	7 758 633

Amortisation					
Euro	Buildings	Prod Equipmt	Office equimt	Véhicules	Total
Total 31/12/2010	703 871	709 245	194 926	706 956	2 314 998
Increase	119 420	174 166	37 440	171 094	502 120
Decrease	0	0	0	0	0
Exchange difference	57 215	57 652	15 845	57 466	188 178
Total 31/12/2011	880 507	941 063	248 211	935 516	3 005 297

7. CONSTRUCTION IN PROGRESS

Euro	Building factory	Building Hotel	Building Dormitory	Total
Total 31/12/2010	2 582 268	0	0	2 582 268
Increase	222 361	74 075	122 799	419 234
Deaccrease	3 014 532	0	0	3 014 532
Exchange difference	209 903	0	0	209 902
Total 31/12/2011	0	68 506	122 799	196 872

Construction in progress is related to a new factory located in Shengzhou. The building factory is finished on 2 december,2011.

8. INTANGIBLE ASSETS

Financial years ended 31 December		
Euros	2011	2010
Land use right brut and software	956 818	861 709
Accumulated	102 336	73 510
Exchange difference		19 073
Total	854 482	807 272

The term of the land in use right is 2051.

9. DEFERRED TAX ASSETS

Euro	Opening	Increase	Reduction	Closing
Temporary differences	43 655	0	3 786	39 869
Total 31/12/2011	43 655	0	3 786	39 869

11. BANK BORROWINGS

Financial years ended 31 December						
Euros	2011			2010		
	Amount	Maturity	rate	Amount	Maturity	rate
Bank of China Shengzhou	5 515 517	03/06/2012	Taux légal+10%	4 194 059	01/12/2011	5,04%
Bank of communication	1 838 506	05/03/2012	Taux légal+20%	680 118	02/03/2011	Taux légal+20%
Bank of Zhao Shang	4 044 712	13/04/2012	Taux légal+25%	2 267 060	18/03/2011	Taux légal+10%
Bank of Zhao Shang	1 470 805	26/12/2012	7,10%	2 267 060	18/03/2011	Taux légal+10%
Bank of Hengfeng	1 838 507	06/01/2012	7,21%			
Total	14 708 046			9 408 297		

12. NOTES PAYABLE

Financial year ended 31 December				
Euros	2011		2010	
	Amount	Maturity	Amount	Maturity
Bank of communication	0	0,00	566 765	21/01/2011
Bank of communication	0	0,00	566 765	05/02/2011
Bank of China (Shengzhou)	0	0,00	1 133 530	20/03/2011
Bank of China (Shengzhou)	0	0,00	566 765	04/02/2011
China Merchant Bank	0	0,00	566 765	26/01/2011
China Merchant Bank	0	0,00	566 765	26/02/2011
China Merchant Bank	1 225 670	08/05/2012	1 133 529	19/04/2011
Bank of PuFA	3 523 804	02/03/2012		
Total	4 749 474		5 100 884	

13. TRADE CREDITORS

Financial years ended 31 December		
Euros	2011	2010
Supplier payable	1 247 513	1 677 647
Total	1 247 513	1 677 647

14. ADVANCES RECEIVED FROM CUSTOMERS

Financial years ended 31 December		
Euros	2011	2010
Advance from customers	139 367	1 075 760
Total	139 367	1 075 760

15. TAX PAYABLE

Financial years ended 31 December		
Euros	2011	2010
Corporate Income Tax	80 429	230 129
VAT	76 330	21 175
Estate Tax	20 584	21 366
Tax	8 092	1 425
Turnover Tax	85 511	31 500
Individual income tax	330	7 268
Net wealth tax	124	124
Land use tax	12 568	11 623
Others	227 246	5 919
Total	511 213	330 529

16. OTHER LEVIES PAYABLE

Financial years ended 31 December		
	2011	2010
Education Surtax	4 855	1 679
Resources	1 712	883
Stamp tax	377	314
Local Education surtax	3 237	620
Total	10 181	3 496

17. OTHER PAYABLE

Financial years ended 31 December		
Euros	2011	2010
Other payable	2 493 950	1 808 333
Total	2 493 950	1 808 333

Most of this amount is due to the shareholders of the Group. No interest rate is due and there is no maturity date for the shareholder loan.

18. SUBSCRIBED CAPITAL

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

On October 12, 2008, the share capital of the company was increased by a contribution in kind of 1 000 000 euros subscribed by Crystal Sky Holding (Samoa).

On December 17, 2008, the board of directors realized an additional capital increase by contribution of 403 667 euros for the capital and 4 678 500 euros for the share premium in connection with the admission of the Company on Alternext Market of Euronext Paris. As of December 31, 2011, the subscribed share capital of the Company amounts to EUR 1 753 667 represented by 1 753 667 shares with a nominal value of EUR 1 each fully paid up.

On December 31, 2011, the shareholders of the Company are:

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

(1) Meridian International Co Ltd is the main customer of the Group

The company has not adopted any share option scheme.

The authorized capital of the company amounts to EUR 14 000 000 as at December 31, 2011.

The company's board of directors is authorized until October 2nd, 2013, to increase the subscribed capital of the company within the limits of the authorized capital.

(II) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1. SALES OF MAIN OPERATIONS

Euros	December 31,2011
Domestic Sales	9 181 524
Total	9 181 524

All the sales are contracted in RENMIMBI with Chinese distributors which export through to final customers. The products sold by the Company mainly consist of injected or extruded handle screwdrivers.

2. MAIN OPERATING COSTS

Euros	December 31, 2011
Raw materials	6 707 199
Wages	386 581
OEM	103 781
Manufacturing cost	336 859
Other	-29 008
Total	6 916 350

3. INCOME FROM OTHER OPERATIONS

Euros	December 31, 2011
Fund Using Fees	425 242
Sales raw material	35 372
Sample Sales	303
Electricity Bill	7 104
Mold Fees	34 720
Test fees	4 762
Total	507 502

4. SELLING EXPENSES

Euros	December 31,2011
Freight	109 796
Advertising	14 440
Wages	44 852
Packing fees	162 109
Inspections fees	1 546
Publicity	6 653
Other	37 521
Total	376 916

5. GENERAL & ADMINISTRATIVE EXPENSES

Euros	Decembre 31,2011
Depreciation	303 123
Salary	289 542
House accumulation fund	38 343
R et D	248 336
Auditing and Consulting	207 222
Expenses on Business entertainment	103 780
Social security costs	73 906
Repaire	34 873
Others	357 383
Total	1 656 507

6. FINANCIAL EXPENSES

Euros	Decembre 31,2011
Total	554 280
One of:	
Interest Net Expense	501 228
Procedures fee	18 299
Others	-27 229

7. NON OPERATING INCOME

Euros	Decembre 31,2011
Total	209 261
One of:	
House leasing	166 804
Rewards	1 877
Other	40 579

8. NON OPERATING EXPENSES

Euros	Decembre 31,2011
Total	21 900
One of:	
Hydraulic construction fund	10 733
Sponsors expenses	556
Penalty	1 957
	8 075

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

	2011	2010
Administration staff	54	49
Production staff	150	128
Recherche et développement	7	14
Selling staff	12	10
Total	223	201

VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Pledged Assets	Area	Amount (rmb)	Mortgagee
Land Use Right	26 540 m ² 2004-7-3716 2004-4-3717 2004-4-3718	7 430 000	Shengzhou Branch of China Branch
House Property	6358,46 m ² 20050131	5 720 000	Shengzhou Branch of China Branch
House Property	3979,44M2 20030030	3 580 000	Shengzhou Branch of China Branch
House Property	4907,68 m ² 20060066	4 410 000	Shengzhou Branch of China Branch
House Property	2052,75 M2 20030031	1 840 000	Shengzhou Branch of China Branch
House Property	7328,26 M2 10027893	9 594 967	Shengzhou Branch of China Branch
TOTAL		32 574 967	

VIII. RELATED TRANSACTIONS

Sales :	December 31, 2011
Euros	
Name of company:	
Meridian International Co Ltd (1)	2 932 100
(1) is a shareholder of the Company (cf note IV (1)18)	

XI. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The management meets periodically to analyze and formulate measures to manage the group's exposure to market risk, including principally changes in interest rates and market prices. Generally, the company employs a conservative strategy regarding its risk management: The Company has not used any derivative or other instruments for hedging purposes. The company does not hold or issue derivative financial instruments for trading purposes.

As at December 31, 2011, the company's financial instruments mainly consist of cash equivalents, receivables and payables.

There appears to be a concentration risk due to the fact that the group sells almost a third of its products to a related party, MERIDIAN INTERNATIONAL Co Ltd (see also note VIII. above). In fact, MERIDIAN INTERNATIONAL Co, Ltd merely acts as a trading company that buys goods from the group and resells these to the group's various customers.

X. POST BALANCE SHEET EVENTS

After the balance sheet date, there were no significant events that would have an impact on the present consolidated financial statements or be worth mentioning in the notes attached to the present consolidated financial statements.