

**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, 2015**

**INDEPENDENT AUDITOR'S REPORT ON  
CONSOLIDATED FINANCIAL STATEMENTS  
OF TOOLUX SANDING SA AS AT 31 DECEMBER 2015**

**To the shareholders of Toolux Sanding SA,**

Following the Company's request, we have audited the accompanying consolidated financial statements of Toolux Sanding SA ("the Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at December 31<sup>st</sup> 2015, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Director's responsibility for the financial statements**

The directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statement based on our audit. We conducted our audit in accordance with International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the auditor, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Toolux Sanding SA, as of December 31<sup>st</sup>, 2015 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, May 16th, 2016

**BCRH & Associés**

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



**François Sors**  
*Associé*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(euros)

## TOOLUX SANDING SA

ITEMS	NOTE	From January 1, 2015 to December 31,2015	From January 1, 2014 to December 31,2014
<b>SALES OF MAIN OPERATIONS</b>	IV (II) (1)	12 335 338	10 337 439
Less:cost of main operations	IV (II) (2)	-9 252 619	-7 555 833
<b>GROSS PROFIT</b>		<b>3 082 719</b>	<b>2 781 606</b>
Add: Income from other operations	IV (II) (3)	151 526	54 554
Less: Selling expenses	IV (II) (4)	-392 356	-344 133
Less: General and administrative expenses	IV (II) (5)	-2 056 548	-1 969 033
Less: Financial expenses	IV (II) (6)	-693 580	-182 594
<b>OPERATING INCOME</b>		<b>91 761</b>	<b>340 400</b>
Investment income (loss expressed with "-")		193 627	2 904
Non-operating income	IV (II) (7)	51 770	44 075
Less:Sales tax and additions		-176 079	-46 558
Less:Non-operating expenses	IV (II) (8)	-14 022	-12 925
<b>PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")</b>		<b>147 057</b>	<b>327 896</b>
Less: Income tax		-34 801	-227 327
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>112 256</b>	<b>100 569</b>
PROFIT PER SHARE (BASIC AND DILUTED)		0,06	0,06

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (euros)

From January 1, 2015 to December 31, 2015

## TOOLUX SANDING SA

ITEMS	NOTE	December 31,2015	December 31,2014
<b>NON CURRENT ASSETS :</b>			
Property, plant and equipment	IV(I) (6)	11 799 268	9 952 276
Less:Accumulated depreciation	IV(I) (6)	-5 522 417	-4 739 821
Property, plant and equipment (net value)	IV(I) (6)	6 276 851	5 212 455
Construction in progress	IV(I) (7)	6 603 471	5 268 003
Intangible assets	IV(I) (8)	942 353	900 206
Long-term investment		173 815	162 859
Long-term prepaid assets		254 828	101 156
Deferred tax assets			
<b>TOTAL NON CURRENT ASSETS</b>		<b>14 251 318</b>	<b>11 644 679</b>
<b>CURRENT ASSETS:</b>			
Inventories	IV(I) (5)	542 678	945 536
Trade debtors	IV(I) (2)	2 662 264	1 712 742
Other receivable	IV(I) (3)	21 428 364	20 420 411
Advances to suppliers	IV(I) (4)	6 237 447	4 745 914
Cash and cash equivalents	IV(I) (1)	5 255 316	5 741 487
<b>TOTAL CURRENT ASSETS</b>		<b>36 126 069</b>	<b>33 566 090</b>
<b>TOTAL ASSETS</b>		<b>50 377 387</b>	<b>45 210 769</b>
<b>CURRENT LIABILITIES:</b>			
Bank borrowings	IV(I) (11)	21 074 099	18 133 443
Notes payable	IV(I) (12)	6 196 182	6 097 561
Trade creditors	IV(I) (13)	1 997 322	1 742 916
Advances received from customers	IV(I) (14)	194 823	106 421
Welfare benefits payable		151 794	131 784
Taxes payable	IV(I) (15)	322 280	268 614
Other levies payable			23 482
Other payable	IV(I) (16)	5 593 536	4 868 386
<b>TOTAL CURRENT LIABILITIES</b>		<b>35 530 036</b>	<b>31 372 607</b>
<b>OWNERS'/SHAREHOLDERS' EQUITY</b>			
Subscribed capital		1 753 667	1 753 667
Other reserves		9 072 169	8 959 913
Exchange differences on translating foreign operations		3 888 065	2 994 370
<b>TOTAL OWNERS' EQUITY</b>		<b>14 713 901</b>	<b>13 707 950</b>
<b>Non-controlling interests</b>		<b>133 450</b>	<b>130 212</b>
<b>TOTAL LIABILITIES &amp; OWNERS' EQUITY</b>		<b>50 377 387</b>	<b>45 210 769</b>

**CONSOLIDATED CASH FLOW STATEMENT (euros)**

ITEMS	31 December 2015	31 December 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	35 191	327 892
Adjustements for :		
Exchange difference	398 236	548 138
Impairment loss for doubtful accounts	-173 231	1 279
Depreciation of property, plant and equipment	469 552	439 373
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>729 748</b>	<b>1 316 682</b>
<b>WORKING CAPITAL CHANGES</b>		
Trade debtors	-464 863	396 536
Other receivable	152 420	-1 424 177
Advances to suppliers	-1 186 967	528 631
Inventories	472 319	-601 355
Notes payable	-315 488	879 578
Accounts payable	139 633	205 484
Advances from customers	82 262	-25 169
Welfare benefit payable	-23 927	-76 623
Accrued payroll	1 054	121 321
Taxes payable	36 109	-58 919
Other levies payable	8 782	-8 961
Other payable	494 097	622 679
<b>CASH FROM OPERATING ACTIVITIES</b>	<b>125 179</b>	<b>1 875 707</b>
Income tax	-38 011	-227 327
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>87 168</b>	<b>1 648 380</b>
<b>INVESTING ACTIVITIES</b>		
Long term equity investment		
Purchase of property, land and equipment	-1 192 244	-1 152 327
Intangible assets	18 643	15 882
Construction in progress	-993 382	-1 019 642
Long term prepaid assets	-148 709	-80 467
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-2 315 692</b>	<b>-2 236 554</b>
<b>FINANCING ACTIVITIES</b>		
Short term loans received	21 338 458	16 693 651
Short term loans repaid	-19 596 104	-14 934 495
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1 742 354</b>	<b>1 759 155</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-486 170</b>	<b>1 170 981</b>
<b>CASH AND CASH EQUIVALENTS BEGINING OF YEAR</b>	<b>5 741 487</b>	<b>4 570 506</b>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b>5 255 317</b>	<b>5 741 487</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-486 170</b>	<b>1 170 981</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
<b>Balance as at 1th January 2013</b>	<b>1 753 667</b>	<b>8 885 570</b>	<b>1 802 902</b>	<b>117 929</b>	<b>12 560 068</b>
Exchange difference			-271 909		-271 909
Net profit for the year/period		-26 223			-26 223
Minority interests				-12	-12
<b>Balance as at 1th January 2014</b>	<b>1 753 667</b>	<b>8 859 347</b>	<b>1 530 993</b>	<b>117 917</b>	<b>12 261 924</b>
Exchange difference			1 463 377		1 463 377
Net profit for the year/period		100 566			100 566
Minority interests				12 295	12 295
<b>Balance as at 31 December 2014</b>	<b>1 753 667</b>	<b>8 959 913</b>	<b>2 994 370</b>	<b>130 212</b>	<b>13 838 162</b>
Exchange difference			893 695		893 695
Net profit for the year/period		112 256			112 256
Minority interests				3 238	3 238
<b>Balance as at 31 December 2015</b>	<b>1 753 667</b>	<b>9 072 169</b>	<b>3 888 065</b>	<b>133 450</b>	<b>14 847 351</b>

# **Toolux Sanding SA**

## **Notes to the Consolidated Financial Statements for the financial year ended December 31, 2015**

### **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, 2015.

The registered office is located at 3B, boulevard du Prince Henri, L-1724 Luxembourg.

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

On 13<sup>th</sup> October 2008, the directors increased, by a contribution in kind, the capital of the Company by 1 000 000 euros to bring it from 350 000 euros to 1 350 000 euros by the issuance of 1 000 000 new shares with a nominal value of 1 euro each.

The contribution in kind was represented by 100 % of the share capital of Giant Dragon Holdings Ltd (Samoa), a company incorporated in Samoa on 17<sup>th</sup> January 2007 with registered number 30466 and located at Level 2, Nia Mall, Vaea Street, Apia, Samoa. The contribution in kind value was based on Giant Dragon Holdings Ltd net asset value as at June 30, 2008.

On December 17, 2008, in connection with the admission of the Company on Alternext Market of Euronext Paris, the board of directors realized an increase of the issued share capital paid up in cash to bring it from 1 350 000 Euros to 1 753 667 Euros (1 753 667 shares of 1 euro each). The total amount of the contribution is five million eighty-two thousand one hundred and sixty seven Euros fifty three cents (EUROS 5 082 167,53) represented by four hundred and three thousand six hundred and sixty seven Euros (403 667) for the capital and four million six hundred and seventy-eight thousand five hundred euro fifty three cents (4 678 500,53 Euros) for the share premium.

On December 2, 2008, the company acquired from Giant Dragon Holdings Ltd, for a consideration of 2 998 000 usd, 100 % of the share capital of Shaoxing Sanding Tools Ltd, a Chinese company with registered office at Industrial Park, Ganlin Town, Shengzhou City, Zhejiang Province, China.

The principal activities of Shaoxing Sanding Tools and of its subsidiary, Zhejiang Sanding Tools are the manufacturing and selling of plastic and metal tools.



## **II. Basis of preparation**

### **Basis of accounting**

The consolidated financial statements for the financial year starting on January 1, 2015 and ended December 31, 2015 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 = 7.5358 Rmb as of December 31, 2014, 1 Euro = 7.0608 Rmb as of December 31, 2015) and the average rate of exchange for the income

statements items (1 Euro = 8.1557 Rmb for the year 2014, 1 Euro = 6,9733 Rmb for the year 2015). 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 2015).

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		
	2015	2014
	€	€
Cash on hand	46 916	33 161
Cash at banks	<u>5 208 400</u>	<u>5 708 326</u>
<b>Total</b>	<b>5 255 316</b>	<b>5 741 487</b>

##### 2. TRADE DEBTORS

Financial years ended December 31th		
	2015	2014
	€	€
Trade debtors	<u>2 662 264</u>	<u>1 712 742</u>
<b>Total</b>	<b>2 662 264</b>	<b>1 712 742</b>

##### 3. OTHER RECEIVABLE

Financial years ended December 31th		
	2015	2014
	€	€
Loans to corporations(1)	17 285 858	17 948 185
Loans to individuals(2)	1 593 422	1 818 686
Other	<u>2 549 084</u>	<u>653 540</u>
<b>Total</b>	<b>21 428 363</b>	<b>20 420 411</b>

(1)	Annual interest rate	Amout	Month 1-3
Shengzhou ShanHu Real Estate	10%	13 011 366	13 011 366
Zhejiang JiuDing Building Decoration	6,5%	120 383	120383

- (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 December 31th		
	2015	2014
	€	€
Prepayment to suppliers	6 237 447	4 745 914
<b>Total</b>	<b>6 237 447</b>	<b>4 745 914</b>

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

#### 5. INVENTORIES

Financial years ended December 31th		
	2015	2014
	€	€
Raw Materials	420 794	790 306
Low-value consumables	56 228	
Products in work	6 347	103 995
Finished Products	59 309	51 236
<b>Total</b>	<b>542 678</b>	<b>945 537</b>

There is no impairment on the inventories as at December 31, 2015 and 2014.



## 6. PROPERTY, PLANT AND EQUIPMENT

Gross Book Values					
€	Buildings	Machine Equipt	Office Equipt	Vehicule	Total
<b>Total 31/12/2014</b>	<b>5 536 848</b>	<b>2 340 175</b>	<b>871 520</b>	<b>1 203 733</b>	<b>9 952 276</b>
Increase	1 013 877	227 289	2 868	12 217	1 256 251
Decrease	0	0	-9 009	-54 998	-64 007
Exchange différence	359 919	154 614	58 706	81 509	654 747
<b>Total 31/12/2015</b>	<b>6 910 645</b>	<b>2 722 077</b>	<b>924 084</b>	<b>1 242 461</b>	<b>11 799 268</b>

  

Amortization					
	Buildings	Machine Equipt	Office Equipt	Vehicule	Total
<b>Total 31/12/2014</b>	<b>1 545 236</b>	<b>1 530 956</b>	<b>621 802</b>	<b>1 041 827</b>	<b>4 739 821</b>
Increase	226 029	158 632	69 629	75 617	529 908
Decrease	0	0	-8 108	-52 248	-60 356
Exchange différence	101 152	116 063	41 068	54 761	313 044
<b>Total 31/12/2015</b>	<b>1 872 418</b>	<b>1 805 651</b>	<b>724 392</b>	<b>1 119 957</b>	<b>5 522 417</b>

## 7. CONSTRUCTION IN PROGRESS

euros	Buiding Hotel	Building Dorminatory	Total
Total 31/12/2014	5 268 003	0	5 268 003
Increase	993 382		993 382
Decrease			0
Exchange difference	342 086	0	342 086
<b>Total 31/12/2015</b>	<b>6 603 471</b>	<b>0</b>	<b>6 603 471</b>

## 8. INTANGIBLE ASSETS

Financial years ended December 31th		
	2015	2014
	€	€
Land in use right and software	1 053 603	964 232
Accumulated	171 809	153 397
Echange difference	60 559	89 371
<b>Total</b>	<b>942 353</b>	<b>900 206</b>

The term of the land in use right is 2051.

## 11. BANK BORROWINGS

Financial years ended December 31th						
Euros	2015			2014		
	Amount	Maturity	Rate	Amount	Maturity	rate
Bank of China	1 133 016,09	02/01/2016	5,8650%	1 803 391,81	26/06/2015	7,20%
Bank of China	1 090 527,99	01/04/2016	5,8200%	2 084 715,62	01/07/2015	7,20%
Bank of China	834 183,10	10/05/2016	5,8650%	2 083 388,62	04/07/2015	7,20%
Bank of China	1 090 527,99	23/05/2016	5,8650%			
Bank of China	2 224 960,34	01/06/2016	5,8200%			
Bank of China	1 331 293,90	23/01/2016	5,8800%	630 324,58	16/01/2015	5,88%
Bank of China				630 324,58	17/01/2015	5,88%
Bank of China				630 324,58	29/03/2015	5,88%
Bank of communication	849 762,07	30/06/2016	5,8200%	796 199,47	26/06/2015	7,20%
Bank of communication	1 274 643,10	27/07/2016	5,8200%	1 194 299,21	28/07/2015	7,20%
Bank of Zhao Shang	1 416 270,11	03/11/2016	6,9600%	2 653 998,25	13/05/2015	7,20%
Bank of Zhao Shang	1 416 270,11	04/11/2016	6,9600%			
Bank of Zhao Shang	2 832 540,22	13/07/2016	7,2750%			
Bank of Hua Xia	2 053 591,66	25/11/2016	6,8000%	2 322 248,47	10/12/2015	6,72%
SPD bank	708 135,06	09/01/2016	6,1600%	663 499,56	19/02/2015	6,16%
Hengfeng	2 124 405,17	16/03/2016	6,1200%	1 990 498,69	02/07/2015	7,20%
Shengzhou Ruifeng village bank	693 972,35	18/10/2016	5,9800%	650 230	20/10/2015	7,20%
<b>Total</b>	<b>21 074 099,25</b>			<b>18 133 443</b>		

## 12. NOTES PAYABLE

Financial years ended December 31th				
Euros	2015		2014	
	Amount	Maturity	Amount	Maturity
China Merchant Bank			291 940	30/03/2015
Bank of communication	1 416 270	23/04/2016	1 326 999	21/04/2015
Shanghai pudong bank	1 416 270	04/02/2016	2 488 123	10/03/2015
Shanghai pudong bank	2 655 506	11/03/2016	1 326 999	12/02/2015
Shengzhou Ruifeng village bank	708 135	27/04/2016	663 500	04/05/2015
<b>Total</b>	<b>6 196 182</b>		<b>6 097 561</b>	

## 13. TRADE CREDITORS

Financial years ended December 31th		
Euros	2015	2014
Supplier payable	1 997 322	1 742 916
<b>Total</b>	<b>1 997 322</b>	<b>1 742 916</b>

#### 14. ADVANCES RECEIVED FROM CUSTOMERS

Financial years ended December 31th		
Euros	2015	2014
Advance from customers	<u>194 823</u>	<u>106 421</u>
<b>Total</b>	<b>194 823</b>	<b>106 421</b>

#### 15. TAX PAYABLE

Financial years ended December 31th		
	2015	2 014
Sales tax	70 137	65 716
Vat	78 371	26 638
Turnover tax	116 177	22 997
Income tax	26 728	81 562
Stamp duty	250	128
Individual income tax	10 091	8 115
Urban construction tax	13 469	18 981
Property tax	7 057	24 067
Land in use tax	<u>0</u>	<u>20 410</u>
<b>Total</b>	<b>322 280</b>	<b>268 614</b>

#### 16. OTHER PAYABLE

Financial years ended December 31th		
Euros	2015	2014
Other payable	<u>5 593 536</u>	<u>4 868 386</u>
<b>Total</b>	<b>5 593 536</b>	<b>4 868 386</b>

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

#### 17. SUBSCRIBED CAPITAL

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

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

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

On December 31, 2015, 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

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, 2015.

The company's board of directors is authorized until October 2<sup>nd</sup>, 2014, to increase the subscribed capital of the company within the limits of the authorized capital.

## (II) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### 1. SALES OF MAIN OPERATIONS

<b>Euros</b>	<b>December 31th, 2015</b>
Domestic Sales	<u>12 335 338</u>
Total	12 335 338

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

<b>Euros</b>	<b>December 31, 2015</b>
Raw materials	7 336 050
Wages	1 102 714
OEM	174 853
Manufacturing cost	639 002
Other	
<b>Total</b>	<b>9 252 619</b>

### 3. INCOME FROM OTHER OPERATIONS

<b>Euros</b>	<b>December 31th 2015</b>
Sales raw material	43 044
Electricity bill	10 774
Rent	27 826
Mold	55 848
Sample sales	722
Scrap sales	13 313
<b>Total</b>	<b>151 526</b>

#### 4. SELLING EXPENSES

<b>Euros</b>	<b>December 31th 2015</b>
Avertising	8 996
Inspection fees	9 314
Freight	156 608
Participation fees	45 447
Packing Expenditure	71 479
Wagzs	98 845
Other	1 668
<b>Total</b>	<b>392 356</b>

#### 5. GENERAL & ADMINISTRATIVE EXPENSES

<b>Euros</b>	<b>December 31th 2015</b>
Depreciation	372 119
Salary	369 424
House accumulation fund	43 021
Expenses on bussiness entertainment	157 821
Social Sécurité cost	199 479
Taxe	91 735
Audit and consulting fees	53 291
R & D Cost	356 001
Other	413 658
<b>Total</b>	<b>2 056 548</b>

#### 6. FINANCIAL EXPENSES

<b>Euros</b>	<b>December 31th 2015</b>
Interest expenses	1 419 320
Procedures fees	19 857
Interest income	17 542
Exchange gains and losses	36
Foreign exchange loss	-763 175
<b>Total</b>	<b>693 580</b>

## 7. NON OPERATING INCOME

<b>Euros</b>	<b>December 31th 2015</b>
Rent	0
Disposal of fixed assets	0
Adjusting accounts	240
Funding of local government	49 546
Other	0
Quality guarantee fee	1 921
Fixed asset sales loss	62
<b>Total</b>	<b>51 770</b>

## 8. NON OPERATING EXPENSES

<b>Euros</b>	<b>December 31th 2015</b>
Fixed assets liquidation	841
Hydraulic Construction fund	11 126
Garbage fees	0
Other	717
Donation payment	0
overdue payment	535
Sponsorship Expense	717
Fine expenditures	86
<b>Total</b>	<b>14 022</b>

## 9. INCOME TAX

The tax burden is equal to the sum of current taxes and deferred taxes. Deferred taxes are calculated according to the expiration periods for tax liabilities set by local legislation and the availability of deferrable losses in view of a favorable outlook for the companies in question so as to be able to offset deferred and related taxes. The income tax rate level in China is 25 % of benefit.

## V. EMPLOYEES

	2015	2014
Administration staff	60	69
Production staff	171	201
Recherche et développement	12	12
Selling staff	16	16
<b>Total</b>	<b>259</b>	<b>298</b>

## VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Pledged Assets	Area	Amount (€)	Mortgagee
House Propety (Shaoxing sanding)	1090,31m2	2 550 702,47	SPD bank
Land Use Right (Shaoxing sanding)	422,93 m2 2011-03782		
House Propety (zhejiang sanding)	1057,43m2	1 836 902,33	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	7 329 197,82	Bank of communication
House Propety (zhejiang sanding)	1814,04 m2		
Land Use Right (zhejiang sanding)	594,79 m2 2010-03493	1 543 734,42	Bank of communication
House Propety (zhejiang sanding)	14032,25 m2		
Land Use Right (zhejiang sanding)	6354,51 m2 2014-04336	10 774 983,00	Bank of Zhao Shang
House Propety (zhejiang sanding)			
<b>TOTAL</b>		<b>24 036 520,05</b>	

Pledged Assets	Amount (€)	Beneficiary	Mortgagee
Shaoxing sanding	283 254,02	Zhongding Plastic Tool Ltd.	Bank of HUAXIA branch shaoxing
Shaoxing sanding	1 416 270,11	Shengzhou xinhua Bearing Ltd.	Bank of commerce de Zhejiang
Shaoxing sanding	424 881,03	Shengzhou fuel materials Co.,Ltd	Shengzhou branch of citic bank
Shaoxing sanding	1 062 202,58	Shengzhou Shiguang Clothing Ltd.	Bank of commerce de Zhejiang
Shaoxing sanding	920 575,57	Shengzhou hongyang plastic limited company	Bank of China
Zhejiang sanding	2 832 540,22	Shengzhou Yuying metal cold-drawn Material Co.,Ltd	Bank of Zhao Shang
Zhejiang sanding	1 947 371,40	Shengzhou Trend tie weaving Co.,Ltd	Bank of China
Zhejiang sanding	722 297,76	Shengzhou xinhua Bearing Co, Ltd.	Bank of China
<b>Total</b>	<b>9 609 392,70</b>		



## VIII. RELATED TRANSACTIONS

Other Receivable	December 31,2015
Euros	
<b>Name of company</b>	
Meridian Internationam Co Ltd (1)	73 281
Zhejiang Dinglian Import&Export Ldt (2)	1 330 544
Zhejiang Dinglian Tripod Joint Co Ldt (2)	1 791 582
(1) is a shareholder of the Company	
(2) Common Shareholder	

## 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, 2015, the company's financial instruments mainly consist of cash equivalents, receivables and payables.

## 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 consolidate financial statements.