

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, 2018**

**INDEPENDENT AUDITOR'S REPORT ON
CONSOLIDATED FINANCIAL STATEMENTS
OF TOOLUX SANDING SA AS AT 31 DECEMBER 2018**

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 2018, 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, 2018 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, July 8th, 2019

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, 2018 to December 31,2018	From January 1, 2017 to December 31,2017
SALES OF MAIN OPERATIONS	IV(II) (1)	12 464 682	12 421 570
Less:cost of main operations	IV(II) (2)	-9 043 257	-8 862 566
GROSS PROFIT		3 421 425	3 559 004
Add: Income from other operations	IV(II) (3)	180 783	102 578
Less: Selling expenses	IV(II) (4)	-561 196	-567 936
Less: General and administrative expenses	IV(II) (5)	-3 190 727	-2 262 870
Less: Financial expenses	IV(II) (6)	-1 389 182	-1 333 446
OPERATING INCOME		-1 538 897	-502 670
Investment income(loss expressed with "-")		3 586	-149 236
Non-operating income	IV(II) (7)	183 111	197 749
Less:Sales tax and additions		-103 762	-68 611
Less:Non-operating expenses	IV(II) (8)	-270 929	-14 233
PROFIT BEFORE TAX (LOSS EXPRESSED WITH "-")		-1 726 891	-537 001
Less: Income tax		-4 469	-32 568
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-1 731 360	-569 569
PROFIT PER SHARE (BASIC AND DILUTED)		-0, 99	-0, 32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(euros)

From January 1, 2018 to December 31, 2018

TOOLUX SANDING SA

ITEMS	NOTE	December 31,2018	December 31,2017
NON CURRENT ASSETS :			
Property, plant and equipment	IV(I) (6)	17 488 948	17 640 654
Less:Accumulated depreciation	IV(I) (6)	-6 272 726	-5 873 617
Property, plant and equipment (net value)	IV(I) (6)	11 216 222	11 767 037
Construction in progress	IV(I) (7)	657 593	428 567
Intangible assets	IV(I) (8)	812 151	830 015
Long-term investment		155 842	157 254
Long-term prepaid assets		35 792	114 524
Deferred tax assets			
TOTAL NON CURRENT ASSETS		12 877 600	13 297 397
CURRENT ASSETS:			
Inventories	IV(I) (5)	2 577 569	1 546 142
Trade debtors	IV(I) (2)	2 142 345	2 627 365
Other receivable	IV(I) (3)	7 844 402	8 925 163
Advances to suppliers	IV(I) (4)	6 192 181	6 977 970
Cash and cash equivalents	IV(I) (1)	7 520 701	6 026 307
TOTAL CURRENT ASSETS		26 277 198	26 102 947
TOTAL ASSETS		39 154 798	39 400 344
CURRENT LIABILITIES:			
Bank borrowings	IV(I) (11)	19 962 921	20 501 256
Notes payable	IV(I) (12)	1 523 790	256 266
Trade creditors	IV(I) (13)	2 214 040	1 465 596
Advances received from customers	IV(I) (14)	1 834 041	199 843
Welfare benefits payable		178 250	165 437
Taxes payable	IV(I) (15)	144 944	192 308
Other levies payable		7 111	10 502
Other payable	IV(I) (16)	2 871 133	4 351 221
TOTAL CURRENT LIABILITIES		28 736 230	27 142 429
OWNERS'/SHAREHOLDERS' EQUITY			
Subscribed capital		1 753 667	1 753 667
Other reserves		6 191 682	7 923 042
Exchange differences on translating foreign operations		2 396 823	2 688 689
TOTAL OWNERS' EQUITY		10 342 172	12 365 398
Non-controlling interests		76 396	-107 483
TOTAL LIABILITIES & OWNERS' EQUITY		39 154 798	39 400 344

CONSOLIDATED CASH FLOW STATEMENT (euros)

ITEMS	31 December 2018	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	-1 735 829	-447 263
Adjustements for :		
Exchange difference	-72 750	-552 434
Impairment loss for doubtful accounts	-27 016	-25 017
Depreciation of property, plant and equipment	455 718	691 657
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	-1 379 877	-333 057
WORKING CAPITAL CHANGES		
Trade debtors	464 837	-390 762
Other receivable	960 423	1 983 908
Advances to suppliers	734 745	-1 027 968
Inventories	-1 054 277	-506 088
Notes payable	1 280 721	-768 797
Accounts payable	768 136	36 187
Advances from customers	1 650 031	-341 885
Welfare benefit payable		
Accrued payroll	14 421	12 063
Taxes payable	-46 073	19 819
Other levies payable	-3 325	39 547
Other payable	-1 390 794	-186 825
CASH FROM OPERATING ACTIVITIES	1 998 968	-1 463 858
Income tax	4 469	-212 844
NET CASH FROM OPERATING ACTIVITIES	2 003 437	-1 676 702
INVESTING ACTIVITIES		
Long term equity investment		
Purchase of property, land and equipment	-6 722	-6 502 894
Intangible assets	10 501	10 507
Construction in progress	-234 871	6 064 132
Long term prepaid assets	78 371	-61 229
NET CASH FROM INVESTING ACTIVITIES	-152 721	-489 485
FINANCING ACTIVITIES		
Short term loans received	20 134 220	20 501 256
Short term loans repaid	-20 491 541	-21 244 426
NET CASH FROM INVESTING ACTIVITIES	-357 322	-743 171
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1 493 394	-2 909 358
CASH AND CASH EQUIVALENTS BEGINING OF YEAR	6 027 307	8 936 665
CASH AND CASH EQUIVALENTS END OF YEAR	7 520 701	6 027 307
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1 493 394	-2 909 358

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(EURO)

	CAPITAL	RESERVES	EXCHANGE DIFFERENCE	MINORITY INTERESTS	TOTAL
Balance as at 1th January 2016	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			-518 295		-518 295
Net profit for the year/period		-569 569			-569 569
Minority interests				-239 273	-239 273
Balance as at 31 December 2017	1 753 667	7 923 041	2 688 690	-107 483	12 257 915
Exchange difference			-291 866		-291 866
Net profit for the year/period		-1 731 360			-1 731 360
Minority interests				183 879	183 879
Balance as at 31 December 2018	1 753 667	6 191 681	2 396 824	76 396	10 418 568

Toolux Sanding SA

Notes to the Consolidated Financial Statements for the financial year ended December 31, 2018

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, 2018.

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, 2018 and ended December 31, 2018 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 = 7.8044 Rmb as of December 31, 2017, 1 Euro = 7.8751 Rmb as of December 31, 2018) and the average rate of exchange for the income

statements items (1 Euro = 7.62911 Rmb for the year 2017, 1 Euro = 7,8081 Rmb for the year 2018). 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 2018).

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		
	2018	2018
	€	€
Cash on hand	17 736	5 307
Cash at banks	<u>7 502 965</u>	<u>6 021 000</u>
Total	7 520 701	6 026 307

2. TRADE DEBTORS

Financial years ended Decembre 31th		
	2018	2017
	€	€
Trade debtors	<u>2 142 345</u>	<u>2 627 365</u>
Total	2 142 345	2 627 365

3. OTHER RECEIVABLE

Financial years ended, December 31th		
	2018	2017
	€	€
Loans to corporations (1)	5 744 535	7 555 378
Loans to individuals (2)	<u>2 099 866</u>	<u>1 369 785</u>
Total	7 844 402	8 925 163

(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%	1 510 700

4. ADVANCES TO SUPPLIERS

Financial years ended, December 31th		
	2018	2017
	€	€
Prepayment to suppliers	6 192 181	6 977 970
Total	6 192 181	6 977 970

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

5. INVENTORIES

Financial year ended December 31th		
	2018	2017
	€	€
Raw Materials	2 364 831	1 316 177
Low-value consumables	108 734	108 437
Products in work	0	11 294
Finished Products	18 644	25 865
Inventory goods	85 359	84 369
Total	2 577 569	1 546 142

There is no impairment on the inventories as at December 31, 2018 and 2017.

6. PROPERTY, PLANT AND EQUIPMENT

GROSS BOOK VALUES								
€	Buildings	Machine Equipt	Office Equipt	Vehicule	Electronic Equipt	Accessory Equipt	Kitchen Equipt	Total
Total 2017	11 082 882	2 887 377	1 482 131	1 513 893	319 727	347 674	6 971	17 640 655
Increase	150 472	396 392	54 289	5 548	0	28 096	0	634 796
Decrease	-427341,2185	0	-225726,932	-50793,0058	0	0	0	-703 861
Exchange différence	-99 498	-25 922	343 391	-294 559	-2 871	-3 121	-63	-82 643
Total 2018	10 706 514	3 257 847	1 654 084	1 174 089	316 856	372 649	6 908	17 488 947

AMORTIZATION								
€	Buildings	Machine Equipt	Office Equipt	Vehicule	Electronic Equipt	Accessory Equipt	Kitchen Equipt	Total
Total 2017	2 097 934	1 645 181	591 620	1 378 902	102 784	55 938	1 258	5 873 617
Increase	200 147	168 929	196 655	32 276	46 994	55 435	1 247	701 684
Decrease	8 294	0	200 869	48 253	0	0	0	257 416
Exchange différence	-35 423	-14 770	-77 835	-430 528	-923	-503	-11	-559 991
Total 2018	2 270 952	1 799 340	911 309	1 028 904	148 855	110 871	2 494	6 272 726

7. CONSTRUCTION IN PROGRESS

€	Buiding Hotel	Building Dorminatory	Total
Total 2017	428 567	0	428 567
Increase	232 873	0	232 873
Decrease	0	0	0
Exchange difference	<u>-3 847</u>	0	<u>-3 847</u>
Total 2018	657 593	0	657 593

8. INTANGIBLE ASSETS

Financial year ended December 31th		
€	2018	2017
Land in use right and software	986 195	986 663
Accumulated	192 728	182 316
Echange difference	<u>18 684</u>	<u>25 668</u>
Total	812 151	830 015

The term of the land in use right is 2051.

11. BANK BORROWINGS

Financial year ended December 31st 2018				Financial year ended December 31st 2017			
Euros	Amount	Maturity	Rate	Euros	Amount	Maturity	Rate
Bank of China	1 015 860	03/09/2019	5,4375%	Bank of China	1 025 063	43 434	5,22%
Bank of China	585 389	16/09/2019	5,4375%	Bank of China	858 490	43 427	5,22%
Bank of China	747 927	09/10/2019	5,4375%	Bank of China	754 702	43 390	5,00%
Bank of China	977 765	15/10/2019	5,4375%	Bank of China	986 623	43 392	5,00%
Bank of China	1 015 860	17/10/2019	5,4375%	Bank of China	1 025 063	43 395	5,00%
Bank of China	1 104 748	22/10/2019	5,4375%	Bank of China	987 904	43 356	5,22%
				Bank of china	128 133	43 313	5,22%
Bank of communication	380 948	08/09/2019	5,1330%	Bank of communication	768 797	43 416	5,35%
Bank of communication	533 327	26/11/2019	5,1330%	Bank of communication	192 199	43 416	5,35%
Bank of communication	190 474	08/11/2019	5,1130%	Bank of communication	1 358 208	43 403	5,35%
				Bank of Zhao Shang	1 665 727	43 445	5,66%
				Bank of Zhao Shang	1 665 727	43 445	5,66%
				Bank of Zhao Shang	1 153 196	43 445	5,66%
				Bank of Zhao Shang	192 199	43 193	5,66%
Bank of Hua Xia	888 878	15/05/2019	6,5250%	Bank of Hua Xia	960 996	43 237	6,80%
Bank of Hua Xia	1 015 860	17/05/2019	6,5250%	Bank of Hua Xia	1 025 063	43 238	6,80%
SPD bank	1 269 825	17/12/2018	5,6550%	SPD bank	1 281 328	43 451	4,79%
SPD bank	126 983	01/12/2019	5,6550%	SPD bank	1 921 993	43 170	4,79%
SPD bank	698 404	06/12/2019	5,6550%				
SPD bank	952 369	06/03/2019	6,5250%	Hengfeng	1 921 993	43 313	5,22%
Hengfeng	1 650 773	01/08/2019	5,2200%	Hengfeng	1 921 993	43 313	
				Hengfeng Shengzhou Ruifeng village bank	627 851	43 353	5,22%
Shengzhou Ruifeng village bank	622 214	05/09/2019	8,0475%				6,53%
Others	6 185 318						
Total	19 962 921			Total	20 501 256		

12. NOTES PAYABLE

Financial year ended December 31st				
Euros	2018		2017	
	Amount	Maturity	Amount	Maturity
Shengzhou Ruifeng village bank			128 133	08/06/2018
Bank of Zhao Shang			128 133	19/06/2018
Bank of China	444 439	12/11/2019		
Bank of China	444 439	13/11/2019		
Bank of China	444 439	14/11/2019		
Bank of China	190 474	04/12/2019		
Total	1 523 790		256 266	

13. TRADE CREDITORS

Financial years ended December 31th		
Euros	2018	2017
Suppliers payable	<u>2 214 040</u>	<u>1 465 596</u>
Total	2 214 040	1 465 596

14. ADVANCES RECEIVED FROM CUSTOMERS

Financial year ended December 31th		
€	2018	2017
Advance from customers	<u>1 834 041</u>	<u>199 843</u>
Total	1 834 041	199 843

15. TAXES PAYABLES

Financial year ended December 31th		
€	2018	2017
vat	45 241	104 932
income tax	6 963	62 786
Stamp duty	23 477	143
Individual income tax	524	1 453
Urban construction tax	6 205	9 711
property tax	23 758	8 304
land in use tax	3 631	0
Wealth tax-Tax payable	4 815	4 815
Residual premium	215	99
Real estate tax	<u>30 114</u>	<u>39</u>
Total	144 944	192 308

16. OTHER PAYABLE

Financial year ended December 31th		
€	2018	2017
Other payable	<u>2 781 133</u>	<u>4 351 221</u>
Total	2 781 133	4 351 221

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, 2018, 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, 2018.

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, 2018
Domestic Sales		<u>12 464 682</u>
Total		12 464 682

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, 2018
Raw materials		8 739 304
Manufacturing cost		<u>303 953</u>
Total		9 043 257

3. INCOME FROM OTHER OPERATIONS

€		December 2018, 31th
Sales raw material		109 247
Electricity bill		37 234
Rent		28 975
Waste Oil Sales		602
Mold Sales		3 864
Sample sales		348
Scrap sales		22
others		<u>490</u>
Total		180 783

4. SELLING EXPENSES

€ December 31th 2018	
Avertising	2 909
Inspection fees	9 715
Freight	167 707
Exhibition fee	71 222
Packing Expenditure	58 120
Express fee	7 082
Wages	178 247
Welfare funds	5 483
Costumes	206
Washing cost	13 304
Operating items	5 733
Afforestation fees	2 365
Decoration	1 004
Agency fee	51
Travel Expenses	1 989
Electric charge	30 006
Service charge	3 454
Other	2 597
Total	561 196

5. GENERAL & ADMINISTRATIVE EXPENSES

€ December 31th 2018	
Amortization of long-term prepaid expenses	26 439
Amortization of low value articles	6 857
Depreciation	297 684
Salary	451 457
House accumulation fund	10 005
Expenses on bussiness entertainment	130 471
Social Sécurité cost	246 908
Taxe	34 052
Audit and consulting fees	27 652
Bad debt provision	538
R & D Cost	528 011
Repair cost	70 425
Office allowance	27 274
Power rate	13 621
Correspondence	7 197
Traveling expenses	4 850
Security services	26 767
Gasoline	8 567
Vehicles maintenance	5 687
Insurance premium	5 643
Materials	3 852
Labor wages	124 734
Consulting fee assets	50 961
Staff and workers' training expenses	1 027
Traffic expenses	1 105
Residual premium	2 605
Outsourcing fee	7 064
Start-up costs	673 481
Assessment	3 625
Uniform cost	117
Other	392 053
Total	3 190 727

6. FINANCIAL EXPENSES

€	December 31th 2018
Interest expenses	1 384 414
Procedures fees	3 543
Interest income	3 303
Exchange gains and losses	-61
Foreign exchange loss	-2 017
Total	1 389 182

7. NON OPERATING INCOME

€	December 31th 2018
Electricity	5 660
Disposal of fixed assets	6 421
Fixed asset clean up	127 969
Tax Rebates	39 396
Government grants	2 561
Compensate	836
Others	267
Total	183 111

8. NON OPERATING EXPENSES

€	December 31th 2018
Fixed assets liquidation	14 606
Donation payment	3 842
overdue payment	788
Fine expenditures	533
Liquidated payment	249 440
Others	1 720
Total	270 929

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

	2018	2017
Administration staff	63	80
Production staff	165	160
Recherche et développement	21	10
Service staff	25	24
Selling staff	7	20
Total	281	294

VI. MORTGAGE AGREEMENTS & GUARANTEES GIVEN

Mortgage agreement

Pledged Assets	Area	Amount (€)	Mortgagee
House Propety (Shaoxing sanding)	1090,31m2	2 177 750,12	SPD bank
Land Use Right (Shaoxing sanding)	422,93 m2 2011-03782		
House Propety (zhejiang sanding)	1057,43m2	1 646 963,21	Bank of Hua Xia
Land Use Right (zhejiang sanding)	410,18m2 2011-03761 2011-03785 2011-03783		
House Propety (zhejiang sanding)	31330,98 m2	6 584 043,38	Bank of China
Land Use Right (zhejiang sanding)	34178,6m2 2004-4-3716 2004-4-3717 2004-4-3718 2007-4-1320		
House Propety (zhejiang sanding)	1814,04 m2	1 269 825,15	Bank of communication
Land Use Right (zhejiang sanding)	594,79 m2 2010-03493		
House Propety (zhejiang sanding)	14032,25 m2	10 192 886,44	Bank of Zhao Shang
Land Use Right (zhejiang sanding)	6354,51 m2 2014-04336		
TOTAL		21 871 468,30	

Guarantee Given

Pledged Assets	Amount (€)	Beneficiary	Mortgagee
Shaoxing sanding	1 396 807,66	Shengzhou xinhua Bearing Ltd.	Bank of commerce de Zhejiang
Zhejiang sanding	736 498,58	Shengzhou hongyang plastic limited company	Bank of China
Zhejiang sanding	647 610,82	Shengzhou xinhua Bearing Co, Ltd.	Bank of China
Total	2 780 917,07		

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, 2018, 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.